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PARIS, MONDAY, JUNE 27, 1988

**ESTABLISHED 1887** 

### Soviet Party Braces For Reform Session To Curtail Powers

By Bill Keller New York Times Service

MOSCOW - It was harvest ne last year when a group of estern correspondents dropped on a rising star of the Communiar Party, Fyodor Morgun, the aty boss of a Ukrainian farm strict, to learn about perestrolka an a real enthusias

The main thing, Mr. Morgan id, citing from the catechism of ikhail S. Gorbachev, the party taler, is individual initiative. Peoshould throw off their depenncy on guidance from above and ink for themselves.

The next morning, visitors who atthe on the local radio station ard Mr. Morgun again — broadming detailed instructions to mers on how to handle their liveck, apply their fertilizer and ing in their crops. When 5,000 delegates from

and the Soviet Union convene Tuesday to begin the first Comanist Party conference since 41, their main task will be to beak the party's stilling grip on the

ily lives of citizens. The conference is a tacit admis-- '= on that the Communist Party, ich began the revolution from

restroika, is itself a daunting obicle to change.
The leaders have no intention of rendering the party's command-, role in setting national policy. But even the more limited transof power they have in mind, if it actually carried out, would mark

pistoric turning point for this aueritarian system — extricating a party from the daily operation the economy and government, ating an elected government sysm that is no longer merely a pale eature of the party, and creating egnards to protect citizens from bitrary and abusive officials. The promises of the party con-

Kiosk

A Mideast Role

JERUSALEM (Reuters) --

Foreign Minister Sosuke Uno

of Japan visited a Palestinian

refugee camp on Sunday and

later told Israeli leaders that

Tokyo wanted to play a bigger

role in the Middle East peace

Mr. Uno, on a one-day trip to Israel, the first by a high

Japanese official, met Foreign Minister Shimon Peres and Prime Minister Yitzhak Shamir. Earlier in the day, he visited a refugee camp in the West Bank and also talked with Pal-

MONDAY Q&A

estinian leaders.

E SURVEY AND EARTH SOFT must beeking

bachev was named leader in 1985. Letters to the press brim with a new passion for politics, a taste for

Mr. Gorbachev's supporters concede that even with the impetus of the party conference, curtailing the party's domination over life will be a slow and difficult process.

Some Communists fear the pro-posed changes are a backsliding from true communism or a a de-scent into social disorder. Others are simply afraid of losing power and comforts.

In principle, it has been accepted that the Communist Party should withdraw from daily management of the country, said Otto R. Latsis, deputy editor of the party magazine Kommunist. "I don't think it will happen in practice very soon,

The conference will open Tues-day with a report by Mr. Gorba-chev, speaking on behalf of the Politburo. He is to lay out current thinking on the Communist Party's past and future, elaborating on 10 theses" - the conference platform - approved last month by the Central Committee.

The debate was originally scheduled to last four days, but party officials now say it may continue into next weekend to give more delegates a chance to be heard.

Despite a clamor in the press for "full giasnost," or openness, the party oow plans to televise only Mr. Gorbachev's opening and closing presentations, and to close all ions to foreign reporters. Party officials contend that the delegates will speak more freely

vithout television cameras. Delegates will have the right to expurgate their remarks before a record of the meeting is published.

The conference will have power to make some changes in party pro-

cedures outright, including an ex-See SOVIET, Page 5

Tokyo Gaining

Respect for Aid

is taking place in the way Japan is seen by

in Tokyo, including its forceful role at the summit meeting of industrial powers in

While lingering concerns remain about domination by Japan, officials and ana-

lysts in Asia say that the old image of a

It is being replaced, they say, by a view that Japan is an essential and increasingly

"The Japanese are aware that to play a

more pronounced role in Asia, they must

tary means," said Lee Poh Ping, a Malay-

sian university professor who studies Japa-

By applying its burgeoning financial and commercial might to galvanize the econo-

mies of neighboring countries. Asian sources said, Japan is laying the basis for

closer ties between trading nations in the

nese relations with Southeast Asia.

predatory Japan is being effaced.

constructive partner in development.

its neighbors in Asia and the Pacific.



Near Mulhouse, France, police and rescue workers searched the wreckage of an Air France Airbus 320 that crashed Sunday on a demonstration flight.

### 3 Are Killed in Crash of Airbus at Show in France

Local officials said 10 to 25 peo-ple were trapped inside the plane's

fuselage, which tore a 150-meter (500-font) path through a forest at

iled by Our Staff From Dispatches France jetliner, the new Airbus A-

320, crashed Sunday on a demonstration flight near the French-Swiss border, killing three persons, officials said. They said there were 133 survi-

vors, 50 of whom required hospital-

Air France canceled a Paris-Zurich flight that had been scheduled ish Airways suspended flights of its sengers trapped in the wreckage.

two A-320 aircraft "as a precau-MULHOUSE, France - An Air tionary measure" until more was known about the accident, Jacques Friedmann, the presi-

dent of Air France, said a decision on whether to extend the grounding would depend of the recommendation of French civil aviation authorities

Up to 30 people were unaccount-ed for hours after the accident, Reuters reported. The police had to use an A-320 on Sunday and pot said the missing could include a Boeing 737 on the Paris-Düsselsome who fled with minor injuries, dorf-Berim route. In London, Brit- or an undetermined oumber of pas-

the end of the airport runway at Habsheim. The officials said the trapped victims were being evacu-Authorities first said there were 127 aboard when the jetliner went down. Airbus Industrie, the manu-

facturer, reported 136 aboard.

The crash, during an air show at Habsheim, occurred 10 minutes after the plane took off from the Mulhouse-Basel international air-

port 25 kilometers (15 miles) away. Christian Roger, the vice president of the French airline pilots' union, said the copilot had told him that there was no power when the cockpit crew sought it. A local resident who was among the first rescners told the French radio that the to be first-time fliers who paid for captain's first words to him were:

the plane didn't respond." The plane was about 20 meters for a small fee. Labalette, an amateur pilot who Habsheim runway before its rear safety had not been in question, was near the scene of the crash, was portion exploded and caught fire.

(AP, Reuters, AFP, UPI)

FRANCE

quoted by Agence France-Press as saying.

One of only six in service so far, the plane had been delivered to Air

France on Thursday and had never carried passengers on a scheduled flight. Many victims were believed the chance to take a ride on the A-I wanted to boost the power, but 320. At such air shows, spectators are invited to take their first flight

"The plane did not go into a cose-dive," he said. "It belly-flopped onto the trees."

An official in the airport's control tower said the plane appeared to lose power as it passed over the field. "There was an explosion and a cloud of smoke," be said, "but from the control tower we couldn't

An Air France official said the pilot, Michel Hasseline, has been in charge of training other Air France pilots in handling the A-320, which is controlled by a sophisticated electronic guidance system. The pilots' onion has called strikes against the domestic airline Air Inter, saying the two-person crew of

the A-320 is insufficient. The narrow-bodied, short-tomedium-range A-320 entered commercial service in April Six had been delivered before Sunday's crash, three operated by Air France, two by British Airways and one by Air Inter.

In April, Air France reported an landing gear down when it clipped first to reach the crash scene told a electrical problem during the maidsome trees at the end of the runway radio interviewer that the plane on flight of the A-320 over the con-and crashed in the forest," Beruard skimmed trees at the end of the ter of Paris, but said passenger

Iraq Says **Major Oil Zone Falls** 

The Final Victory Over Iran Is Near, President Asserts

By Patrick E. Tyler

Wishington Post Service KUWAIT - The Iraqi Army, in its fourth offensive since April intended to push Iranian forces off its territory, said it has retaken the oil-rich zone known as the Mainoon Islands, in Iraq's southern marshlands.

President Saddam Hussein declared Sunday that final victory

Iran acknowledged that its troops had been forced to redeple to new positions in the face of the

[In Washington, senior adminis-tration officials said that the Iraqi recapture of the Majnoon Islands was a major victory, The New York

Times reported.
[One official described the islands as "the last important piece of Iraqi territory held by Iran." Although Iran still holds large pockets of territory on the northern border, they are largely oot strate-gically important, be said.]

As in other recent battlefield

losses, Tehran accused the Iraqis of using chemical weapons. The new attack underscores the

strong military momentum lraq has established, as well as its successful effort to recover part of its national oil wealth. Iran has lost at least two other battles on the southern war front in

recent months, as well as one June 18 against Iranian rebel forces in the oorthern Iranian border village of Mehran.

The losses come at a time of apparent political turmoil in Tehran following contentious parliamentary elections and amid persistent Western news reports that Ayatollah Ruhollah Khomeini, the Iranian revolutionary leader, has

terminal liver cancer. The islands sit atop one of the region's largest oil fields straddling the Iran-Iraq border. They are linked by a network of roads built over the marshes in the 1970s to make them accessible for oil explo-

Isam Abd ar-Rahim ash-Shalabi, the Iraqi oil minister, has said that the oil field contains 6 to 7 billion mels of proved oil reserves and

estimated reserves of up to 30 billion barrels. Iran seized the islands during a

See GULF, Page 5

#### Behind Dollar's Rise, Japanese Demand the inflationary effects of rising im- reduce the nation's ability to help week to combat the threat of accelcorrect trade imbalances by ab-

TOKYO - The dollar is expect- port costs. ed to strengthen further in foreignat the close of trading Friday.
Currency dealers and economists

said over the weekend that they anticipated a rapid rise in the value of the U.S. unit to 132 yen or more by the end of the week.

dollars has been centered among Japanese life insurance companies and other financial institutions, which are beginning to increase their purchases of U.S. securities for the first time in many months.

This has focused increased attention on whether the Bank of Japan, the central bank, will act to support the yen this week in order to avert The latter course could eventually

exchange markets this week, re- 128.85 yen in Tokyo, a gain of more fleeting pent-up demand for the than 3 yen on the week, and later mounted in recent weeks because currency among Japanese financial climbed to 130.45 yen in New York of increasingly tight labor supplies institutions and speculative interest trading. Trading in the Tokyo spot that appeared to be gathering force market reached a record \$14.35 billion on Wednesday and remained more than double recent daily averages for the rest of the week.

Volume at that level indicates that actual demand is strong," said David Gerstenhaber, senior econo-The surge in global demand for mist at Morgan Stanley International Ltd. in Tokyo. "It also suggests there's a fair amount of momentum in the market."

A sustained depreciation in the yen would force the Bank of Japan either to intervene in the currency market or risk blunting Japan's economic momentum by raising interest rates, financial analysts said.

The dollar closed Friday at sorbing more imports.

Concern over inflation bas and unusually high rates of factory operation in a range of major manufacturing industries. A continuing aggravate the inflationary threat by raising the cost of imported goods

The Bank of Japan began to tighten credit modestly two weeks ago, when it announced slight increases in the one- and two-month discount bill rates. Although it has so far resisted further action, most analysts expect it to boost interest rates more substantially if the dollar climbs above 132 yen.

Both the Bank of England and West Germany's Bundesbank aunounced interest-rate increases last

but ourselves," a senior Foreign Ministry official said after the meeting. "But we do wish to reflect the aspirations of Asian countries. We think it's only natural, and

Takeshita has done quite a good job in

Japan has sought an expanded role in Asia since the late 1970s, chiefly as part of

Japanese that they are regarded merely as

"honorary Europeans," as a Western dip-

While Mr. Takeshita's predecessor, Ya-

matic style over the more forceful ap-

The high value of the yen, for instance,

gion is integrating economically and put an increased financial role easily within To-

pushing us forward."

crating inflation. Japanese purchases of U.S. gov-

ernment notes and bonds dropped

dramatically last year because of

volatility in the yen-dollar ex-

change rate. Although purchases

rose sharply in February, when

See DOLLAR, Page 17

### **Dole Appears** Top Pick for **Bush Ticket**

By Gerald M. Boyd New York Times Service
WASHINGTON — Based on

his experience, regional appeal and campaigning skills, Senator Bob Dole is emerging as the early choice of top aides and advisers to Vice President George Bush for the second spot on the Republican ticket.

Mr. Bush, who has locked up the Republican presidencial nomina-tion, spoke glowingly of Mr. Dole on Friday while stressing that the process for selecting the cominee

Jesse L. Jackson has won changes

in the rules governing Democratic presidential primaries. Page 4. for vice president will remain in the preliminary stage until after the

Democrats select a ticket at their convention next month in Atlanta. The Republicans meet in New Orleans a month later. Nonetheless, several advisers to

Mr. Bush said senior aides have begun sounding out some Republican leaders on possible candidates. including Mr. Dole, the Senate minority leader from Kansas, and Representative Jack F. Kemp of New York.

Mr. Kemp was regarded as the favorite of some Southern state chairmen in part because of the belief that he is more conservative. said an adviser to Mr. Bush. but Mr. Dole, who ran second in most of the primaries, appears to be prehas accelerated the pace at which the referred in the Bush camp.

Although he has not discussed choices, Mr. Bush often has de-

See DOLE, Page 5

proach for which Mr. Nakasone was noted, these observers suggest. At the same time, issues of concern to Japan's Pacific neighinternational trading system must be main-tained to reassure the Japanese that they Mr. Takeshita has been able to take advan-

fense shield around Japan and an open placed on the table political and economic bors. All but one of these issues, which tained to reassure the Japanese that they can prosper without having to resort to ranged from the Cambodia question to tage of opportunities that were not available until recently. Games in Seoul, were addressed in the final communiques of the conference.
In focusing the attention of world lead-

# International Herald Tribune Asia since the late 1970s, chiefly as part of a larger effort to develop a distinctive for a larger effort to develop a distinctive for mance at the summit meeting of industrial eign policy and to increase its international contributions. To an extent, this also re-

born Takeshita has focused the attention of world leaders on Asian concerns more successfully than any previous Japanese prime minister, government officials, diplomats lomat said.

in Japan as an important expression of more explicitly than any previous Japanes East Asia's increasing global influence, its leader, Mr. Takeshita is quickly emerging growing economic integration and its com- as its most effective exponent, diplomats mon political and security interests. Never- and local analysts say. world along the path of interdependence, theless, there are widely acknowledged limits to Japan's ability to act in this capacity. region for Mr. Takeshita's low-key diplo-

Noting the importance of a substantial ers on Asian concerns, he enhanced Jaber of the club of advanced nations.

We can't claim to represent anybody

### Japan, Changing Image, Moves Into Role as Asia's Advocate Takeshita Work At Summit Cited By Patrick L. Smith

and other analysts say.

While Mr. Takeshita's predecessor, Yamud Nakasone, articulated the policy

He and other Asian sources have can-In Toronto last week, Mr. Takeshita tioned, however, that a protective U.S. de-

U.S. military and economic presence in pan's role as the only non-Western memkyo's reach. Equally, current trends in scribed the type of vice president he East Asia and the Western Pacific, Jusuf Wanandi, an Indonesian authority oo re-

See TAKESHITA, Page 5

R SCIENCE m/f

in's foreign secretary, beieves summit meetings are 'extremely useful." Page 2.

Sir Geoffrey Howe, Brit-

General News PLO officials agree on a pro-

gram to use \$50 million to help inance the uprising in Israeli-occupied territory. Page 5. France announced an agreenent on the future status of New Caledonia. Page 2. U.S. drought is causing grain applies to be depleted at a Page 3.

**Sports** Soccer fans in Amsterdam celstrated as the Dutch team wought home the Enropean Thampionship cup. Page 21.

Business/Finance West German and British oposition to a European central ank is likely to win out at the EC summit meeting. Page 15. Vlitsubishi Heavy Industries is

roliting from Japan's arms

Special Report

Despite the emblems of chievement, the Japanese are till trying to come to gups vith their success. Pages 7-13.



Prime Minister Noboru Takeshita.

militarism to secure overseas markets and

See JAPAN, Page 5

cooperation and competition."

Armenians rallying in Moscow on Sunday to demand a solution of the Nagorno-Karabakh dispute. Their outspokenness set the tone for a meeting on Tuesday on a lesser role for the Communist Party. In Nagorno-Karabakh, protesters called off a strike that had been under way for a month. Page 2.

By Michael Richardson by the turn of the century would produce more than 20 percent of gross world product, a share approximately equal to those of North America and the European Com-

its neighbors in Asia and the raction.

The reassessment follows outward-looking economic and political imitiatives taken in geonomic and political imitiatives taken are a generally higher international profile are a generally higher international profile and an assertive leadership posture on beand an assertive leadership posture on beand an assertive leadership posture on be-

use economic strength, not resort to mili- al and global affairs, was now rapidly

This is expected to give the region, led by

Asian economists said that if current

high rates of growth continued, East Asia

by the turn of the century would produce

Among the factors seen as marking the

half of Asia adopted by Noburu Takeshita,

the Japanese prime minister, in Toronto.

Mr. Takeshita drew the attention of the

summit meeting to the needs of the Philip-

He also called for dialogue, not confrontation, between established industrial pow-

ers and newly industrialized countries in

East Asia over trade and currency disputes.

ister, said that Japan's role, in both region-

"It challenges historical experience," he said, "which has suggested hitherto that, in

order to be a major power and recognized by others as such, a country needs to be a

Prime Minister Lee Knan Yew of Singa-pore said that Japan "more than any other

country, understands the need to keep the

evolving in unexpected ways.

major military power."

Bill Hayden, the Australian foreign min-

pines, Cambodia and South Korea.

Japan, a more effective voice in world

### British Foreign Secretary Sees Summits as 'Extremely Useful'

Sir Geoffrey Howe, the British foreign secretary since 1983, has been an influential voice on economic affairs and arms control at Western summit meetings for much of this decade. In between the recent Toronto economic summit of the seven leading industrial democracies and the Monday summit meeting of European Community leaders in Hannover, Sir Geoffrey spoke with the IHT's London correspondent, Warren Getler.

Q. Apart from an agreement to ease the debt burden of the world's poorest countries, the Toronto economie summit produced few concrete results. Are summits useful and are they necessary?

A. Yes, they're extremely useful, and certainly the world would be a lot worse off without them. I've been going in them since 1979. The instinct in cooperate between the leading industrial powers has grown steadily during that time.

The Toronto communique may have seemed self-congratulatory, but the world economic performance over the past five, six, seven years has been a great deal better than it was before that.

The summit enables the leaders of the key countries to commit themselves to stronger position to resist protectionsm in their domestic political scene. We were Q. Do you think that Hans-Dietrich

reconciliation in Toronto of the appar- ister, has been more open-minded than hall Gorbachev, at the upcoming Comently divergent views of the Americans and the European Community on agri-

cultural protectionism. The Americans wanted a full-blooded declaration that sin will end at the end of this millenium. We said that we certainly want to end sin - but let's get on with taking steps against it now.

Q. Does Britain's resistance to becoming a full member of the European Mone-

MONDAY Q&A

tary System and its lack of enthusiasm for the creation of a single European currency and a European central bank leave the country out of step with the rest of the community as the EEC moves toward the formation of a unified market

A. I think not. Our position in relation to the European Monetary System is well known. Our decision whether or not to join the exchange-rate mechanism of the EMS will be decided when the time is right, as we've said many times. Discussion of a European central bank is a discussion of a topic much, much further inm the future than that.

Our instinct is to approach the proposition pragmatically, step by step — the instinct of some of our partners is to approach it by defining in lights the longpropositions of virtue which are quite run objective. That kind of difference has difficult to uphold — it gives them a not prevented us working very well to-

very glad that we were able to achieve a Genscher, the West German foreign min-

some of his Western colleagues to recent proposals on arms control coming from the Soviet Union?

A. It is difficult in establish any significant difference in our approach. I believe Herr Genscher has used the phrase "We should respond to things with an open mind." I think the last foreign ministers' stance said we should respond to things with "double vigilance." And I've said many times that we need to look at attitudes and statements of the Soviet Union with a sense of realism, with a sense of vigilance and with an open mind. Basically, I think we're all responding in much the same way.

Q. Is a superpower agreement on a START treaty, reducing strategic nuclear arsenals by as much as 50 percent, foreseeable within the next six months?

A. Both sides are still working at it. It's remarkable and admirable to see the tenacity with which the U.S. secretary of state, George Shultz, has maintained a steady tempo in his approach to these

ft's interesting to see the way in which the Soviet Union appears to have been reaching out — with American consent - toward building a bipartisan response in the United States. I think that the possibility is there, but I don't think we should be surprised if it [the signing of a START treaty] does stray from that time

Q. How much moral support should the West provide the Soviet leader, Mik-

manist Party conference in Moscow, where he will encounter entrenched resistance to his plans for sweeping economic and political reform?

A. Well, I doubt whether we're in a position to give him support that counts. any more than a Soviet leader could give support at a U.S. presidential convention that would count. But certainly we welcome what Mr. Gorbachev is trying to do. We think that it's important, it's courageous, it's good for the Soviet economy and the Soviet people and humanity. To that extent, he has our support.

But we match that with a continued gilance because, as he must know as well as anyone, there are groups and interests in the Soviet Union that don't have the same enthusiasm and instincts for what he is trying in do. We should not allow our good will for what he's trying to do to lead us to make concessions that are not otherwise prudent. We shouldn't be tempted into throwing something to him to encourage his own operations in the Soviet Union for its own sake.

O. There is talk that at the Hannover summit many of the EC countries will propose sanctions against South Africa if the "Sharpeville Six" defendants are executed. The sanctions may also include recalling amhassadors. Can you state your position on that — what should the EC response he if the six black defendants are executed?

A. I've not seen any evidence to suggest that this is going to be debated at Hanno-

of execution has been extended until July 19, pending application by the defense counsel to the chief justice of the Appeals Court. And it's likely to be extended beyond that if necessary. So, I think it's an academic question.

We don't think that a fact of that kind -however tragic and however deeply to be regretted it would be - should justify any change in our central view on economic sanctions nor, indeed, on continued representation by an ambassador in Cape Town/Pretoria. We believe that the removal of apartheid -- which we devoutly wish — is more likely to be has-tened by sustained advocacy, and not by the kind of isolation implicit in economic sanctions, which would drive the decision makers in South Africa further in the WTODE direction.

Q. If a Democrat, presumably Michael Dukakis, were to win the U.S. presidential election in November, could trans-Atlantic friction over burden sharing in the defense of Europe gather steam?

A. I don't think one should reach any conclusion about a change of that kind following on from a change in adminis-tration or a change in the political color of the administration. The burden sharing debate is always with us - it's come and it's gone and its come back again during the lifetime of the Reagan adminstration. It tends to regain energy at elec-tion time, perhaps on both sides of the Atlantic. It's a topic we have to address with continuous caution and attention.

### WORLD BRIEFS

#### Iceland's President Easily Re-elected REYKJAVIK (AP) - Vigdis Finnbogadottir easily won a third for

REYKJAVIK (AP) — Vigdis Finnbogadedur easily won a third in year term as Iceland elected a president, officials reported Sunday. With 47.3 percent of the ballots counted, Mrs. Finnbogadedir a sinning about 95 percent of the vote. Officials said about 75 percent lectand's 173,800 eligible voters east ballots.

The president's rival, Sigrun Thorsteinsdottir, admitted defeat but not congratulate the 58-year-old president on her victory. Mrs. The president of the president on her victory.

not congratulate the ran on a platform calling for a more active role for t presidency while Mrs. Finnbogadottir insisted that the presidency was ceremonial post.

Swiss Seeking Details of U.S. Probe WASHINGTON (Reulers) — The first known overseas effect of WASHINGTON (Reuters) — The first known overseas effect of U.S. defense procurement investigation has come from Switzels which is weighing a \$2 billion purchase of U.S. fighter planes. The Switzels before said the Swiss Defense Ministry saked the Pontagor well as McDonnell Douglas Corp. and General Dynamics Corp. information about allegations in the investigation before proceeding well as McDonnell Douglas in the investigation before proceeding well as McDonnell Douglas Corp.

The central focus of the investigation is possible fraud and bridge among Pentagon officials and consultants working for defense central tors. The investigation was disclosed June 14 when at least 38 arms were authorized in 12 states and in Washington by U.S. district towards by McDonnell and General Dynamics to market their is fighter planes abroad is a focus of the investigation.

Among other things, prosecutors are investigating allegations and McDonnell Douglas gained an unfair edge in marketing its F/A-18 Switzerland, South Korea and Kuwait by getting inside information competing proposals by General Dynamics in sell the F-16 to a

### Moscow Expels 8 More Canadians

MOSCOW (Reuters) - The Soviet Union has barred cight a Canadian diplomats from the country in retaliatory expulsions. More made plain it would not be the first in back down in the dispute to Ottawa, which began when Canada expelled 17 Soviet diplomats at

accusing them of espionage, first reported June 21.

The Soviet news agency Tass said Deputy Foreign Minister Alema
A. Bessmertnykh summoned the Canadian ambassador, Vernon Tan on Saturday to tell him that a defense attache, Larry Bowen, was experient that seven former Canadian diplomats in Moscow would not welcome back.

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.....)

The Soviet first deputy foreign minister, Yuli M. Vorontsov, said news conference in Moscow on Saturday: The Soviet Union is a grower that cannot allow itself to be insulted in this way, and people? do insult it will not be permitted to do so with impunity."

#### Students and Police Clash in Seoul

SEOUL (UPI) - Several-hundred students, calling for an investtion into corruption charges against former President Chun Doo He hurled rocks and firebombs at riot policemen in central Scoul on Saul The police responded with tear gas. There were no immediate reports

A group of about 100 other students, frustrated in their attempts reach Myongdong Cathedral, carried out hit-and-run attacks again policemen in the area, hurling at least 10 firebombs, a witness and. Small bands of radical students have staged protests in recent wattempting to whip up anti-government feelings and to press the government into investigating charges of corruption against Mr. Chun.

#### 8 Soviet Jets Said Destroyed at Kabi

ISLAMABAD (Reuters) - Fire and explosions destroyed eight So jet fighter planes at Kabul airport last week in what observers said the biggest single blow to Soviet airpower in the Afghan war, diploma

The fire and explosions, believed to have been caused by guen attacks, on Thursday wrecked eight SU-25 lighters parked on the tangethe diplomats said, quoting intelligence reports from Kabul. The reputid not specify exactly when the jets were destroyed but said the

stopped airport activity and flights had been diverted.

Several reports said that rockets or shells may have first strock aircraft, setting off an explosion which destroyed the rest. It was too what caused the fire. The reports said blue and white smoke + secondary explosions suggested that ammunition aboard one of the ... might have detonated.

### Talks on Angola to Continue in U.S.\_\_ CAIRO (AFP) - Fresh talks among South Africa, Angola, Cuba

the United States on a political settlement for Angola and South Africa (Namibia) will take place in the United States next man delegates to a four-nation conference have reported in a communication issued here.

Progress was achieved at the Cairo meeting that another meeting it United States, starting July 11, would try to develop, the statement in the Cairo meeting was marked by some heated exchanges on their of withdrawal of South African and Cuban troops from Angola.

#### Sweden Tops Study on Female State

WASHINGTON (AP) — Sweden leads the world in the state, women, followed by Finland and the United States, while women Bangladesh suffer the greatest discrimination, a private population at

The independent Population Crisis Committee ranked nearly countries according in the status of women and how their treats. omnanes with men

No country received a listing of excellent. Also in the "very a section were East Germany, Norway, Canada and Denmark à Afghanistan, North Yemen and Pakistan rounded out the bottom ...

### TRAVEL UPDATE

Alia, the Royal Jordanian Airline, announced Saturday it would soking on short flights from July 1. Turkey raised prices of gasoline and petroleum products by up to

### percent, the fourth increase this year, it was announced Sunday. (Rev.

This Week's Holidays Banking and government offices will be closed or services curtails. the following countries and their dependencies this week becaus national and religious holidays:

MONDAY: Canada, Diibouti.

TUESDAY: Diibouti.

WEDNESDAY: Chile, Colombia, Costa Rica, El Salvador, Malta, Pero rino, Sri Lanka, Vatican City, Venezuela.

THURSDAY: Ecuador, El Salvador, Guatemala, tudia, Peru, Sri Lanka, 2 FRIDAY: Bangladesh, Burundi, Canada, Egypt, Ghana, Guatemala, Mor Pakistan, Pormgal, Rwanda, Somalia, Suriname, Taiwan, Thailand. SATURDAY: Pakistan.

Source: Morgan Guaranty Trust Co., Rein

### Bruised at the Polls and by Scandal hopes will approve radical reforms. Ethnic relations are among the sub-

NEW DELHI -- Prime Minister Rajiv Gandhi of India has carried out a sweeping change of his cabi-net and the leadership of two populous Indian states in a move to

Mr. Gandhi, acting on Saturday, also sought to contain the political damage from new evidence, disclosed in the press, that suggests possible kickbacks in a \$1.3 billion overseas weapons contract.

governing Congress (I) Party in

offs would be punished.

simmering for more than a year, following a Swedish radio report that kickbacks had been paid in the company's sale of field artillery to India. More than \$50 million was later found to have been paid to intermediaries whose identity remained secret in several cases.

the payments to Mr. Gaudhi or The prime minister's actions anyone in his government, and came at an early morning swearingmany politicians and commenta-in session with his new cabinet that tors had begun to think that the reflected a defensive new anno- scandal was dying down. But the sphere in the wake of both the scan-publication two weeks ago of new dal disclosures and the losses by the documents reopened the charges.

The Hindu, a Madras-based news-

that illegal payments might been made, but said, "There i. involvement at the political lev all." He said those guilty of roing such payments would be ished, adding, "Anyone highlow, we will take action." Among the nine new mini inducted Saturday were two

gress (I) Party veterans, P.V. A simha Rao, returning to his for. post of foreign minister, and Chavan, named minister of nance. Mr. Gandhi also repl the chief ministers of two of in biggest states, Uttar Pradesh Maharashtra, where the part

considered to be in trouble. The prime minister said hoped the cabinet changes w give him more time to concen on politics between now and : next election, which could be of as early as next spring.

#### New York Times Service PARIS — The government of French soldiers. The assault was ordered by Prime Minister Jacques nounced Sunday that it would or- Chirac just before he lost the presiganize a referendum on self-determination for New Caledonia in 10 rand. years and was offering an immediate plan of economie improvement for the Pacific colony. The move was accepted both by of the territories, abolishing an ex-Caledonia to remain part of France was in charge under the Chirac adand by the Kanak Socialist Nation-ministration. The government will

New Caledonia to Hold

Referendum in 1998

al Liberation Front, which repre- then work for administrative and sents native Melanesians who favor economic improvements and seek After both groups completed talks in Paris under the auspices of the new government, Mr. Rocard said they agreed that France "takes erendum in New Caledonia on selfover administrative authority over the territories during the next 12

By Youssef M. Ibrahim

will give a greater measure of self-He also said he would propose that the French people approve the

plan in a referendum in the fall. It was not evident that the agreement would pave the way to independence. Some 43 percent of New Caledonia's inhabitants are considered native Melanesians, with the balance made up principally of French settlers and Asians who have voted before for the territory to remain French. New Caledonia has been governed by France for

135 years. Tensions there have made it the most volatile issue facing the Ro-card government since it took office last month. A major factor was an assault by French troops on May 5 to liberate 23 French hostages held by extremists.

#### **OAS Cutbacks** Are Foreseen

New York Times Service

WASHINGTON — The Organization of American States is likely to suspend its aid programs for president. He campaigned on a the rest of the year because of the theme of "ouverture," which at the the rest of the year because of the according to OAS documents and theme in an election race.

A financial report presented to said the OAS faces a \$20 million caused by U.S. budget limitations.

Recommendations for cutbacks tary majorities. will be presented this week to the

19 Melanesian separatists and two French soldiers. The assault was dential election to François Mitter-

Under the accord made public on Sunday, the French government will resume direct administration the approval of the French in a referendum so as to elevate them above partisan politics. Finally, France will organize in 1998 a ref-

The leader of the Melanesian months" to create institutions that separatists, Jean-Marie Tjibaou, participated in the talks in Paris. He reiterated that he favored independence and praised the outcome as "an important step for the future



Aumouncing agreement in Paris on a plan to decide the future of New Caledonia are, from left, Yeweine Yeweine and Jean-Marie Tibaou, both separatist leaders, and Jacques Lafleur and Dick Ukeiwe, both opponents of the territory's independence from France.

### Mitterrand, Seeking Stability, Calls a Time-Out

By Joseph Fitchett

PARIS — President François Mitterrand, after handily winning re-election last month, could normally have anticipated a period of grace, the proverbial first 100 days when a new government has the popularity to push through major send only to procedural matters be-

mitiatives. Instead, Mr. Mitterrand has been forced to call what amounts to a three-month holiday from public politicking, signaling that he thinks that time is needed both to clarify the changed political landscape, and for politicians and voters to

adjust to the change.
The biggest question on France's political horizon is the increased importance of the role played by the National Assembly and Mr. Mitterrand's own situation as a time sounded much like any other

burden of an answered prayer, the budget committee of the 31- French voters left Mr. Mitterrand nation organization on Thursday with a minority Socialist government in the new Parliament. It is an shortfall by the end of the year, half unprecedented situation in the of which is the result of a cut in the Fifth Republic and requires him U.S. contribution. The cut was and Prime Minister Michel Rocard in put together tactical parliamen-

Mr. Mitterrand has said that he permanent council of the OAS, the wants to use the play of parliamenorganization's administrative tary politics in shift the balance of

but he has apparently recognized Instead, he prefers quiet, persis- down suggestions that the Social- Mr. Mitterrand, in Parliament, that time is needed for the change. tent negotiations designed to pro- ists might share power with moder- counts on the tacit support of the poned. The National Assembly will

#### **NEWS ANALYSIS**

fore adjourning for the summer. Since the beginning of the Fifth Republic, Parliament has functioned mainly as conduit for presidential initiatives and as a sounding-board for ferocious if of Parliament throughout the
match Mr. Mitterrand's appeals for Barre apparently has in mind a
a new spirit in French politics, but different strategy. He is reportedly ineffective verbal counter assaults Fourth Republic, served as a cabi-

by the opposition. This Gaullist system was a reaction to the revolving door parliaparty indispensable for making up mentary governments which afflicted France after World War II. After taking power in 1958, the Gaullists dominated the conservative majority in Parliament while the Communists' extreme ideas ing and on the right because they barred the left from power. No are disappointed with the lack of place was left for centrist parties. Mr. Rocard, who is expected this change. week to appoint a new cabinet in

Mr. Mitterrand's first election.

So he has decided that any conduce a consensus beyond his own troversial legislation will be post-poned. The National Assembly will working in New Caledonia, where Mr. Rocard got the opposing local cord which he hopes will defuse the issue for a decade.

The idea of restoring a moderate center opposed to left or rightist extremism in French politics, fits net minister in 11 governments, al-

parliamentary majorities. But opinion polls show that French voters are already becoming impatient —on the left because they dislike the idea of power-shar-

tangible progress toward this

ate conservatives.

maneuver of the kind sought by Mr. Mitterrand's ideas about mod-Mr. Mitterrand. the Union for French Democracy, of the National Assembly. led by Valery Giscard d'Estaing,

it has split. Raymond Barre, the former ty - resembling West Germany's prime minister, encouraged a group Liberals - that could stay in gov-

inside the UDF.

leader, Jacques Chirac, are divided But this idea, advanced as a way Responding to signs that rank- about their future. For the mo- to overcome the cleavages in which many of the ministers will be and-file Socialists worry more ment, hard-liners are in control, French politics and mobilize the nonpoliticians, has avoided the about their political future than hoping to strengthen the party by whole nation behind the task of doctrinaire approach that back about a grand redesign of French capturing disaffected supporters of preparing for 1992, has been disfired on the Socialists in 1981, after politics. Pietre Mauroy, the new Jean-Marie Le Pen, whose Nation missed by many commentators as party head, has started playing al Front crumbled in the elections. otopian.

Communists to give Mr. Rocard's Frictions are more severe in the government leverage with the concamp of the defeated conservatives, servatives. Communist votes enwhich is starting to fragment and abled Laurent Fabius, the former factions to agree Sunday on an ac- create openings for parliamentary Socialist prime minister who shares

> emizing French Socialist ideas, to The largest conservative group, win election Thursday as speaker Although agreeing with Mr. Mitseeking to form a new political par-

of centrists, who are in sympathy enument by joining leftist or right-with the changes advocated by Mr. ist coalitions. Mitterrand, to split with the UDF.

At the same time, he has formed a leading conservative figure, has a political club, with similar goals, third idea. He has proposed a side the UDF.

grand coalition government, half
Meanwhile Gaullists in the Rally
Socialists and half conservatives, in

for the Republic, shell-shocked by prepare France for the integration the poor electoral showing of their of the Common Market in 1992.

### **Armenians Lift Strike Ahead of Meeting**

French politics toward the center, MOSCOW - A monthlong nia. strike has been called off in the LA MONTRE DES MONTRES in gold or steel or gold steel combination.

HUBLOT Water-resistant to a depth of 150 feet. The move was considered likely

> party conference crucial to his re-forms that starts Tuesday. In Stepanakert, capital of the predominantly Armenian enclave in Azerbaijan, a Communist Party

official said some factories started

working again Sunday.

in a single malt.

Isle of Jura

SCOTCH WHISKY

The flavour of an island

mands for unification with Arme- other Soviet Jews were protesting a ethnic clashes between Armenians

Meanwhile, thousands of Crimedisputed Nagorno-Karabakh Au- an Tatars demonstrated Sunday in tonomous Region, the Communist the Uzbekistan capital of Tash-Party newspaper Pravda said Sun-kent. The Tatars, protesting the kremlin's June 9 decision to deny them an independent homeland, to ease pressure on the Soviet lead-er, Mikhail S. Gorbachev, before a

One of the demonstrators, Server Tuvarchy, interviewed by tele-phone, said 5,000 people massed in Tashkear's Revolution Square. He said police beat protestors and tore their banners from them.

And in Moscow on Sunday, a trol, with public transport at a group of Soviet Jews gathered to standstill and factories idle while demand the right to emigrate. Ten demonstrations take place daily. until Monday whether there would minutes after they began, their

Me-just

loophole in Soviet legislation that and Azerbaijanis since Nagorno-they said prevented them from Karabakh's governing council first called for unification with Armenia In a separate rally in Moscow on in February.

Sunday, Armenians demanded a solution to the Nagorno-Karabakh dispute.

The unrest in Nagorno-Karabakh is a potential embarrassment

for Mr. Gorbachev during this week's party conference, which he In recent weeks, Stepanakert has been described as being out of con-

Prayda said workers in Stepanabe a mass return by striking workposters were torn down, and shortkert called off the strike at a mass
ers. The strikers have said they ly afterwards their leader was taken
would continue their protest until away by police.

Yuri Semenovsky and about 10

Trivial and workers in Stepanakert called off the strike at a mass
meeting Saturday at which speakers said they needed to work to
support perestroika, Mr. Gorbaers said they needed to work to shore up his political standing after support perestroika, Mr. Gorbachev's program of reforming the economy and society.

Thirty-five people have died in

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PACIFIC WESTERN UNIVERSIT 600 N. Sepulveda Bivd., Los Angeles, California, 90049, Dept. 23, U.S.A.

## tors in reopen an inquiry into the arms contract with Bolors AB, a swedish concern. He pledged that In his comments Saturday, By Steven R. Weisman

several recent election defeats.

several legislative races June 16. Mr. Gandhi said that after the

anyone found to have received pay- Gandhi suggested for the first The Bofors scandal has been

No evidence has surfaced linking

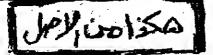
The documents, published in Mr. Gandhi said that after the disclosures appeared in an Indian newspaper, he ordered investiga-

BARCELONA: Soler Cabot . BRUXELLES: Verboogen . DUSSELDORF: Wempe .

FIRENZE: Calosci. Cappini . FRANKFURT: Wempe . GENEVE: Chimento.

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# WORLD BRIEN AMERICAN' CODICS reland's President Facility

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AS STATEMENT

The Moreover Turns of the

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driver's licenses. The Washington Post says the hill seems part of a national move toward using driver's licenses to discourage drug use, illiteracy and other social ills. In The sense of the New Hampshire, Governor John H. Summu tried unsuccessfully With My .... to require a literacy test for new to the parties of the same of drivers. U.S. Senator Pete Wilson, Republican of California. has proposed drug testing for lithomas in 170 cense applicants.

Opponents say the California Senate's bill forces a white, mid-dle-class standard on all pupils. A Los Angeles Times editorial said, "Denying a driver's license the burdens of a youngster was might already have more than his share. Particularly in-Southern share. Particularly in-Southern a dropout without a share. Particularly in California, a dropout without a driver's license is virtually unem-

**TOPICS** 

No Driver's Licenses

By 26 to 3, the California Sen-

For Failing Pupils

Proponents say pupils with a personal or family hardship could appeal to the courts for an

Bill Greene, a state senator who represents the poor Watts neighborhood in Los Angeles, said, "If this bill saves 100 kids in my district, it is worth it."

#### Notes About People

tudents and Police (lashing Pat Robertson, the television evangelist, has returned to his Christian Broadcasting Netdrop in contributions since he took a leave of absence a year ago to make an unsuccessful run for the Republican presidential nomination. He declined to totally rule out ever running again for president, but said, "I do not wish to get back mito position as uses services is not fun. CBN is fun." wish to get back into politics.

Troved | (1 - 110 1) ( 170 Ved a former Philippine president, says from their exile home in Hawaii that she has started writing her antobiography and expects it to be published in January. "I don't know anyone like me," she said. intotally lived, through great glory and grandeur and now humility and deprivation."

A woman who put cyanide in air relief medicine, killing two persons, has been sentenced in Seattle to 90 years in prison in



LEADING THE CHARGE — Civil War buffs attacking on Saturday during a re-enactment of the Battle of Gettysburg.

the first case to reach trial under a law covering death by producttampering. Prosecutors said Stella Nickell, 44, killed her husband in 1986 because she wanted to collect \$176,000 in life insurance. They said a woman who also died was a stranger to the couple but became a victim of a plot to make Bruce Nickell's death appear to be the work of a random

The U.S. Department of Agri-culture is secretly growing coca in a greenhouse near Washington as part of an effort to find an effective means of eradicating the crop abroad. Federal officials have kept the project under wraps because, they say, they fear that drug dealers or others might try to sabotage it. It also is a sensitive issue for the Department of Agriculture, whose responsibilities are normally crop development and food distribu-

The best way to remove porcupine quills from the nose of an inquisitive dog is to cut them in half before pulling them out, Jack Kahn of Yarmouth, Maine, says in a letter to The New York Times. Each quill has a barb at its tip, like a tiny fish hook, making it painfully difficult to re-move. The quills are hollow. The expedient of cutting the quill in half, using either a knife

or scissors," Mr. Kahn writes, will allow the air in the quill to escape. The barb collapses and from then on, no problem."

The had publicity associated with such Washington lobbyists as Michael K. Deaver and Lyn Nofziger has prompted Morris Amitay, a pro-Israel lobbyist and former head of the Ameri-can Israel Public Affairs Committee, to pick a new name for his calling. With all the oppro-brium that has been heaped on lobbyists," he said, "T've recently started calling myself a 'corridor-

Tightwad, Missouri, was named more than a century ago, supposedly after the pennypinching owner of a general store. But Mayor Tom Skaggs says the 55 residents "are generous to a fault." Town council members work for nothing. At Tightwad Bank, lollipops and balloons are given to all children accompanying their parents. Ka-ren Honk, the bank manager, said 30 percent of the bank's accounts belong to out-of-state customers "who like the name

We have people living as far

away as Texas, California and

Nova Scotia who have accounts

here because of the name."

Arthur Highee

### U.S. Drought Depletes Grain Supplies at Fast Rate

By Keith Schneider New York Times Service

WASHINGTON - The worst causing traders, grain companies and warehouse operators to buy record amounts of grain and soybeans from the government, drawing down stocks owned and managed by the Department of Agriculture more quickly than at any time since the early 1970s.

At the current pace of sales, the Agriculture Department said, the ters), the level Congress has determined is an emergency reserve.

tion's grain harvest.

and how the government reacts to were low. it, could affect the future of inter-U.S. drought in half a century is national relations, the fate of many sales of the government's grain and

> Only twice previously, in 1949, and again from 1975 to 1977, have the government's grain stores been depleted. Both times, agricultural soared.

Since 1933, the government has government's supply of soybeans, a used its grain stocks to regulate protein source widely used to feed investock, could be exhausted in July. By August, if the drought continues, wheat stocks could reach the market and stabilizing prices. In lean years, the government accumulates grain, in effect drawing grain from the land of the market and stabilizing prices. leases its stocks to the market, where they act as a reserve supply

pace as concern grows about the the U.S. food supply since the effects of the drought on the nathe U.S. food supply since the larvest.

The government currently holds bought huge amounts of wheat at 1.8 billion bushels of grain and soy-

farmers and what citizens pay for soybeans. He said he had no intenfarmers and what citizens pay for foodstuffs ranging from bread to tion of restricting sales, which would further tighten domestic supplies and put more pressure on commodity prices and, eventually, food prices.

وكذامن الإحل

Moreover, he said, restricting economists said, food prices sales would send the wrong signals to foreign buyers.

"It would be a dreadful mistake," he said, "to tell our foreign buyers that we would not continue to be as reliable suppliers as we have been."

Since January, the price of soy-beans has jumped from \$4 a bushel to almost \$10. Corn has gone from \$1.25 to \$3.15 a bushel, and wheat Even government stocks of corn, which now total slightly less than a billion bushels, are moving from government storehouses at a record to keep prices down.

In Washington, Agriculture Septiment will issue a record the most important decisions about port estimating yields for this fall's port estimating yields for this fall's

But the government's supply is sian wheat sales in the 1970s." being drawn down at a pace not seen for years. From January to June 1, the government moved 1.2 billion bushels of grain and soybeans onto the market, an average vests of corn and soybeans as sigof 57 million bushels a week. Last year, in the same period, the govcrument was accumulating grain. By June 1987, stocks reached a re-cord 3.2 billion bushels.

In recent weeks, as the ramifications of the drought have become more clear, sales have been feverish. In one week in May, 90 million bushels of grain were sold, an amount that may have been the most the government has ever sold in a week, said Agriculture Department analysts. Last Tuesday, the government sold 22 million bushels about 73 percent of the world's corn supply. of corn, an extraordinary amount for a single day,

How long the drought continues, and how the government reacts to bushels held in public and private bushels held in public and private bushels held in public and private this active was right after the Rus-

The Agriculture Department predicted that farmers this year would produce 12.5 billion bushels vests of corn and soybeans as significantly as it has already damaged crops in the northern Great Plains, the production estimates could fall considerably. That is why the government stocks are so im-

The ramifications for the world's food supply also are important. The United States is storing 23 percent of the world's supply of wheat, estimated at 5.5 billion bushels, the lowest since 1983. It is also storing

Even before the drought, Agriculture Department analysts estimated that wheat and corn stocks would fall when worldwide demand is steadily increasing.

**Boeing Had Told** Aloha Airlines of

Washington Post Service

lost part of its roof on a flight between islands in Hawaii, the

Boeing Co. began warning the air-

line that its 10 jets had significant

corrosion and needed major struc-

### Congress Slows SDI Growth, Shifts Goals

Washington Post Service tributed to a more cautious powers in world affairs."

by the Reagan administration, U.S. Roman Catholic But on balance, the repo

By R. Jeffrey Smith

Washington Post Service

WASHINGTON — House and Senate negotiators have voted to halt five years of remarkable growth for the Pentagon's Strategic Defense Initiative program by helding its budget increase for next year to 3 percent and demanding the program to a special session of the funds so to long-that much of the funds that much of the funds go to longground-based weapons that could ferees voted to trim spending for
term research instead of near-term defend against a small, accidental defensive weapons powered by nuweapons development, according to congressional officials.

The resulting \$3.73 billion au-thorization for fiscal 1989 would fall considerably short of the \$4.5 billion proposed in February by Secretary of Defense Frank C. Car-lucci and a \$6.3 billion budget planned by his predecessor, Caspar W. Weinberger.

Included in the congressional action last week was a big cut in the administration's effort to develop space-based rockets to shoot down nuclear missiles as part of the initial phase of defense deployments. Congressional conferees voted to allocate \$85 million for the effort, instead of the \$330 million request-

ed by Mr. Carlucci. The decision will check the program's steady growth since President Ronald Reagan proposed it in

In the last year, the kind of space-based defense that Mr. Reacan and Mr. Weinberger support has been called unattainable by independent scientists and senior Pentagon advisers. Tightwad Bank on their checks.

der certain conditions.

efforts toward disarmament.

By Marjorie Hyer

bishops have said that the Strategic Defense Initiative

is morally flawed as a national policy.

"We are against the deployment of SDI," Cardinal Joseph L. Bernardin of Chicago said Saturday at a meeting of the bishops at St. John's University in Collegeville, Minnesota. But, he added, "We could go along with continued research and development" un-

A report on nuclear deterrence, adopted over-

whelmingly Saturday by the bishops, was an out-

growth of their 1983 pastoral letter condemning al-

most all forms of nuclear warfare.

That document, "The Challenge of Peace," gave "strictly conditioned moral acceptance" to the policy

of nuclear deterrence only as long as there were serious

might be used against missiles. decision was said to reflect wide-reported.

U.S. Catholic Bishops Critical of SDI

sovereign states."

too simple a response."

Corrosion on Jets SEATTLE — Five months be-fore an Aloha Airlines 737 jetliner

edged that "nuclear deterrence most likely has con-

tributed to a more cautious posture of the two nuclear

But on balance, the report continued, "We remain

movement on arms control, the possible shift toward

offensive use of this defensive system and the mount-

ing costs of SDI in the face of unmet social needs."

defend against a small, accidental defensive weapons powered by numissile attack and on a laser that clear explosives, officials said. The guidelines for arms cuts, Reuters

tural inspections. In documents obtained by The Washington Post, Boeing urged the airline to replace corroded skin panels on its four most-heavily flown jets - including the one in-

volved in the accident. Aloha operates a high-frequency schedule in a highly corrosive envi-ronment, Boeing told the airline in a letter Nov. 13, and the manufacturer urged maintenance that

convinced that the policy of nuclear deterrence is not a stable long-term method of keeping the peace among would assure thorough and frequent inspections. At the same time, the report said, in a "dangerous The Aloha president, Maurice world of both widespread nuclear knowledge and Myers, disputed Bocing's assess-ment that all 10 of Aloha's jets were extensive nuclear arsenals, we find condemning nuclear deterrence too drastic a solution and embracing it corroded, and challenged the asser-tion that Aloha's maintenance phi-On SDI, the document said, the "compelling moral

case" is made by those "who specify the likely risks of an aggressive SDI program." These include, according to the bishops, "the obstacle it poses to effective the quick path" in repairs. Two weeks before the accident, Boeing reminded Aloha to conduct complete inspections on the aging jets. The 737 involved in the accident - which killed a flight attendant - had accumulated the sec-Cardinal Bernardin, to draft an updated "judgment on appear to us to promise serious risks and very hypothe moral status of deterrence." This report acknowlthetical benefits at this time," the bishops' report said. ond-highest number of flights in the entire Boeing jet fleet.

losophy was dictated by "following



fforts toward disarmament.

The combination of the technological and the In 1985, the bishops authorized a committee, led by strategic evaluations of the present status of SDI

125 YEARS OF SOLVAY:

#### HISTORICAL RECORD OF RESULT

#### LETTER FROM THE CHAIRMEN

125 years

1988 marks a twofold anniversary: the 125th birthday of Solvay & Cie and the 150th anniversary of Emest Solvay's birth.

It was on December 26, 1863 that Solvay & Cie, a "commandite par actions" was founded by Ernest and Alfred Solvay together with a group of family friends. Throughout the gen-erations the pattern of shareholding has re-mained exceptionally stable.

The face of Solvay & Cie has changed considerably over its 125 years of existence

and more particularly during the last 25 years: the single-product Belgian company of 1863 has become today a worldwide enterprise diversified in five sectors of the chemical

#### The last 25 years

Indeed, in the early sixties the company was still predominantly involved in its initial business or those developed in the first half of the 20th century: the company was established mainly in Europe with a diversification in Brazil.

A twofold expansion, both geographic

and in fields of activity, has taken place during the last 25 years. Plastics, in addition to PVC grew with the take-off of high-density polyethylene and then of polypropylene. The creation of the Interox Group with Laporte Industries (Holdings) PLC enabled Solvay to increase the importance of its Peroxygens sector. The Processing business had considerable growth in sales over 25 years through diversification in several key sectors. The coming of age of specialty polymers is also worth mentioning, as is the growth of the Health sector through a program of acquisitions.

Geographically, the major diversification.

was the Group's re-entry into the United States in 1974, followed by a significant growth, at an accelerated pace, both internally and through acquisitions. Furthermore, significant efforts have been made since 1985 to penetrate Asian

This same 25-year period witnessed two major events. In 1967 the privately held "Société en commandite" was changed into a public "Société Anonyme" in order to make the capital market accessible to Solvay.

On the other hand in 1983, the creation of the Société Anonyme Solvac by conversion of Solvay C shares and subsequent capital increases solidified the structure of Solvay's

Over these 25 years, the world has changed and so has Solvay preparing for the

#### 1987

In 1987, the Group's activities grew in the context of a good economic climate. Sales revenues were up 3.4% and sales volume up even more. Consolidated net earnings surged over 1986 and for the 125th anniversary they reach the historical record of BF 12.17 billion (\$356 million). The 22.5 % advance is due more particularly to the outstanding performances of the Plastics sector and to the high earnings

of the United States activities.

By and large, all five sectors of the Group performed well. Sales in the Alkalis sector were higher than the year before. The Interox Group continued to expand. In Plastics, sales and earnings grew particularly well in a market characterized by strong demand.

The Processing sector recorded a slight decrease in sales and an increase in earnings. A satisfactory development was also noted in Human and Animal Health.

Important means for the future of the Group

The Board of Directors approved a plan of investment programs totaling 21.9 billion Bel-gian francs for 1988, compared to a 18.6 billion BF capital expenditure in 1987. In addition, a research and development program of more than 10 billion BF was adopted for 1988, compared to an expenditure of the order of 9.2 billion BF in 1987. These capital and research programs

bear testimony to the Group's confidence in its future development; not often has the Group heen so well positioned to meet competition: its increasing twofold diversification, in products and in countries, as well as its constant focusing on higher value-added products. makes it more resistant to the vagaries of the

#### Increasing dividend

The revenue of Solvay shares proposed to the General Assembly amounts to 370 BF per fully-paid share, i.e. up 35 BF as compared to 1986. Moreover, on the occasion of the 125th anniversary it has been proposed to the General Assembly to allot one new free share for every 20 shares held.

Chairman of the

KKY FIGU	RES OF THE SOLVAY GROUP	1986	1987	1987	1987	
	in millions	BF	BF	ECU	\$	
	Sales	216,313	223,602	5,180	6,552	
	Research expenditure	8,604	9,225	214	270	
	Capital expenditure	23,100 (*)	18,600	431	545	
	Shareholders' equity	66,119	67,933	1,574	1,990	
	Net earnings	9,931	12,166	282	356	
	(*) including BF 4,800 million for the ac	quisition of Rei	i-Rowell			
DER SOLV	AY SHARE	BF	BF	ECU	S	
BIL DOD!	Net earnings	1,113	1,377	32	40	
	Net dividend	335	370	9	11	
	Shareholders' equity	7,768	8,012	186	235	
	Price on the Brussels Stock Exchange					
		8,990	15,750	365	461	
	high	6.020	8,350	193	245	
	low	8,350	9,500	220	278	
	on December 31	44,787	44,957			
	Staff (units)	72,707				

Exchange rate 1986: 100 BF = \$ 2.47 · 1987: 100 BF = \$ 2.93

The Solvay annual report is available in French, Dutch, English and German on request at the "Secrétariat Général" Solvay & Cie, rue du Prince Albert 33,

#### - Rebel Leaders Say They Are Ready to Resume Fighting By Julia Preston from receiving \$17.7 million in U.S. would lead President Rouald Reafood aid inside Nicaragua. The U.S. Agency for International Development, which administers the aid, decided in early May to give contra fighters the equivalent of \$1 coming days." He has often contradict with Decident Fidal Contradict Fidal Fid

Contras Return to Nicaragua

Wedness Till (III | CIIII | CI

cated to base camps in Honduras
using a three-month cease-fire are
whing back to Nicaragua, ready
resume fighting against the Saninista government, according to
the commanders in northern Nicaragua

ragus and Miami.
the return of the guerrillas,
nown as contras, to mountain staone and forest trails inside Nicaigua reflects the conviction of ons with the Marxist government ill not provide a settlement of the

e Reagan administration has acked the contras, their resilience t battle sometimes flagged, but at situation now seems to be re-used. The rebels in the field ap-ear to be clinging to their sense of ispose more firmly than their alters in Hondwas and Mismi, ho are embroiled in infighting. U.S. officials reportedly advised bel politicians to make the best al they could with the Sandinis-a while their military supplies vindled, but the contras say they

tain a losing battle.

As many as 5,000 contra fighters

It back to southern Honduran

Steven Kinzer of The New York ses after the warring sides signed eir first cease-fire agreement on and 1, and negotiations in Mana-a to reach a final armistice colleged June 9 amid Sandinista delands that the contras lay down or weapons and contra demands

cir weapons and contra demands
r significant political reform.

The government unilaterally exaded the cease-fire until July 1.

ie contras have said they will not the first to open fire but reports.

The first to open fire but reports.

Whicaragua, Sandinista leaders are expressing fears that the Reagan administration is preparing new pressure.

Mr. Shultz plans to visit Guatemala, El Salvador, Honduras and the first to open fire, but reports
Looth sides of violations have
President

a day in Nicaraguan cordobas to buy food inside Nicaragua.

"Our forces are coming back," said a rebel commander in La Vigia Sur, "The money's coming. There's nothing left to do at our bases."

In Miami, a spokesman for the contras said, "We don't believe we can get democratic reforms from the Sandinistas in negotiations. We'll have to do it with our rifles." He was speaking for the council that governs the 9,500 fighters of the contra alliance. He said the contras feel the truce was shattered in the past two weeks by Sandinista

A group of about 1,500 guerrillas was slowed by freshly laid Sandi-nista mine fields, the contra com-

manders said. Last week, Azucena Ferrey, one of five Nicaragnan Resistance political directors, said in Miami that the contras are willing to continue negotiations, but will require guar-antees that the Sandinistas will agree to specific reforms and U.S. aid will be provided to bolster bar-

Steven Kinzer of The New York Times reported earlier from Mana-

As Secretary of State George P.
Shultz prepares to leave Wednesday on a three-day trip through
Central America that will bypass

both sides of violations have altiplied since the talks broke ava.

The stalemate in the peace negotions prevented the guerrillas sort of support for a statement that

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### **Jackson Negotiates Changes** In Democrats' Primary Rules

By Paul Taylor Washington Post Service

WASHINGTON - The Reverend Jesse L. Jackson has won changes in Democratic Party rules designed to ensure that the number of convention delegates a candidate is awarded in future presidential nomination contests more closely reflects the percentage of popular votes in primaries and cau-CUSES.

The agreement - reached in private negotiating sessions between representatives of Mr. Jackson and Governor Michael S. Dukakis of setts, and approved Saturday by a voice vote of the party's Rules Committee — calls for the number of "superdelegates" to the 1992 Democratic National Convention to be reduced by more than a third and for "winner-take-more" features to be eliminated from all

The convention next month in Atlanta is expected to ratify the changes, avoiding a floor fight and doing away with the need for a rules-making commission of the sort that Democrats have set up after every presidential election

Mr. Jackson, campaigning Sat-nriay in Puerto Rico, bailed the rules changes as a "victory for the people."

Warsaw Pact Meeting in July The Associated Press

MOSCOW - Defense ministers from the Warsaw Pact countries will meet in Moscow in the first half of July, the official news agency Tass said Saturday.

"A new Democratic Party is 15.5 percent at the Atlanta convendamning." he said, "More empowing to next month to just under 10 erment for the people, the rank-percent at the 1992 convention. and-file Democrats. More power to the people. It represents a greater

constituencies and for our states." chief negotiator on party rules, called the changes a "fair and equitable compromise" that was won after "hard bargaining sessions" from the Dukakis camp. "This reflects a spirit of compromise and good will," Mr. Devine said

Party insiders characterized the package as mostly fine-tuning contended they violate the princi-changes that will eliminate or cut ple of one man, one vote. He noted back many of the "reforms" of this decade that had been designed to tilt the nomination process to the advantage of front-runners and

We're most of the way back to tage should he seek his party's nomination in the future.

the AFL-CIO. By working out an congressional districts and not be agreement with the Dukakis camp whose main interest is party uni
Steve Cobble, Mr. Jackson's deltv - Mr. Jackson's forces bypassed

the current rules. One change would reduce the

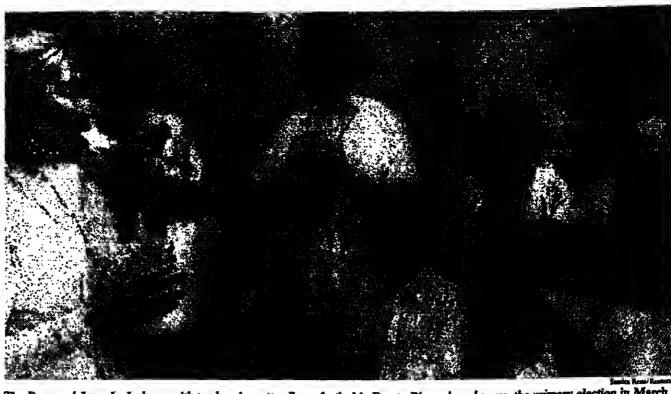
The 1992 rules will continue to permit Democratic governors and commitment to fairness, for our 80 percent of all Democratic members of Congress to be superdele-Harold Ickes, Mr. Jackson's gates, but they remove members of the Democratic National Committee from that category.

Superdelegates differ from usual delegates in that they need not rewith Tad Devine, his counterpart flect the outcomes of primaries or caucuses. They were created after the 1980 election as a kind of ballast against the cothusiasm of primary voters, but Mr. Jackson has ple of one man, one vote. He noted he received 29 percent of the popular vote in the primaries and has 55 superdelegates so far, while Mr. Dukakis, who won 42.5 percent of the vote, has 362.

The other major change would the 1980 rules," said Elaine Karamarck, a party rules expert. She take all by congressional district in and others noted that those rules four states — Illinois, Pennsylvawill work to Mr. Jackson's advan- nia, Maryland and West Virginia - and in Puerto Rico.

Jackson forces contend that such "The Jackson people ought to be rules work a special hardship on given a gold medal for their negoti-ating strategy," said John Perkins, a Democratic National Committee terns — are likely to have their member and political director of support concentrated in certain

ty — Mr. Jackson's forces bypassed egate director, said that if these two state party leaders and the Demo-changes had been in effect this cratic National Committee, whose year, Mr. Jackson would have remembers have more of a stake in ceived "a few hundred" more than his approximately 1,150 delegates, but still would have been well short number of superdelegates from of the 2,082 needed to nominate.



The Reverend Jesse L. Jackson, with tambourine, attending a festival in Puerto Rico, where he won the primary election in March.

### Greek Town Honors 'Michalis' Dukakis

By Loren Jenkins

Vashingson Post Service PELOPI, Greece — Governor Michael S. Dukakis of Massachusetts may still have a little way to go before becoming president of the United States, but here in this tiny village on the Greek island of Lesbos, he might just as well have been elected already.

Pelopi, the birthplace of Mr. Dukakis's father, Panos, has elevated the Democratic presidential candidate to the status of its most important local celebrity since another native son, Kostas Politis, made something of a name for himself as a writer in the 19th

Never mind that Mr. Dukakis, who was born in Boston, only visited this sleepy little town of goatherds and beekeepers once, for four hours 12 years ago. Never mind that his father, who is now deceased, left for the United States in 1912 at the age of 15 after having spent much of his youth in nearby Turkey, where his parents had a business.

Pelopi has decided that it will be to Mr. Dukakis what Plains, Georgia, was to Jimmy Carter — a fabled "hometown" — no matter how tenuous the genealogical link to the

The village's 650 inhabitants busily are

transforming into myth the history of young "Michalis" and his ties to the island, which is best known as the birthplace of Sappho, whose writings about the love of women brought the word "lesbian" into the English

"He belongs to this village even if he was not born here," said the village mayor, Con-stantinou Stephanou "Once a sou of Pelopi, always a son of Pelopi."

He was sitting at a table under the shade of an acacia tree at the Anthos Cafe, where he said he entertained Mr. Dukakis when he visited with his wife, Kitty, in 1976.

Only last month, two signs were erected at the entrances to the town, proclaiming in both Greek and English, "Welcome to the hometown of Michael Dukakis."

Two weeks ago, Pelopi's main street, a rock-paved avenue used more by donkeys and goats than by cars and named for Athanasion Diatou, a hero of the war against Tur-key in 1921, was renamed Michael Dukakis

Iacovos Manolis, 81, whose main claim to village fame is that in 1933 he bought Panos Dukakis's ancestral land from a relative who lives in Mitilini, the island capital, shyly shows visitors the "Dukakis for President"

erald Eribun

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button a visiting television crew has given

Although Mr. Dukakis visited only briefly. everyone in Pelopi knows his name, has an anecdote to tell of him or claims to be a distant relative.

There are no residents with the name Dukakis, but there are 27 people with the name, including some aged uncles and aunts, listed in the Mitilini telephone directory. Everyone, it seems, claims to have sipped

coffee or ouzo with Mr. Dukakis. Some residents remember him speaking fluent Greek, others say that it was somewhat rusty. Some remember him being stiff and ill at ease, while others describe him as relaxed and casual. All remember him as having a preference for

Mayor Stephanou said he planned to offer to reward Mr. Dukakis if he was elected in

"We are going to give him a piece of land and build a house for him if he wins so he can come visit us in summer," the mayor said. He said he is planning a party in the village on election night, which, he said, happens to fall on the traditional saint's day for St. Michael, the local patron,

"It is going to be a party to remember," he

# Pope Says Villi-Be Erased

Austrians Urged To Look Ahead

SALZBURG — Pope John Paul II told Austrian youths Studen that they could not erase their paul but had a duty to seek reconciletion and build a better world

"No one can undo what has all ready been done," the pope and an address to young people at a Salzburg Catholic student center on the fourth day of his five-day visit to Austria.

"Even the best psychologists cannot free us from the burden of our past," he said, "Only the on-nipotent power of God, with his creative love, can give us a new

The election of President Kim Waldheim in June 1986 amid allo-gations he was involved in Na-war crimes has prompted much de cussion in Austria about the degree of support the country gave to Ga-many during World War II.

1 5 7 **8 8**1

The pope urged: "We must at find the strength to offer recondi-ation. We all know that the gray things in life and necessary change in society and in the Church are as easily accomplished."

Earlier the pope condemned Nazis' cruel treatment of the hand capped as the "worst barberise" and warned against the dangers o judging any human life superfix

During a prayer service for som 1,000 aged, ill and handicappe Austrians in Salzburg's cathedral the pope called on society to show solidarity with them.

"From your midst I appeal to a members of society," he said "There must be no division of his man life into worthy and unworthy Decades ago this division led to the worst barbarism."

After the Nazis took power in Germany in 1933, they began med ical experimentation on the handi capped and mentally ill.

You will find below a listing of job positions published last Thursday under the rubric International Positions.

INTERNATIONAL POSITIONS

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If you haven't seen last week's INTERNATIONAL POSITIONS rubric. please ask for a free copy: Max Ferrero, INTERNATIONAL HERALD TRIBUNE, 92521 Novilly Codex, France. Tel: (1) 46,37.93,81. Telex: 613595

### U.S. Seizes 4 and Halts Missile Materials to Egypt wife, Albia Eltayeb Helmy, also

By Ruth Marcus and David B. Ottaway Washington Post Service

WASHINGTON - Five people, including an Egyptian lieutenant colonel, were accused Friday of conspiring to smuggle high-technology materials to Egypt that

could be used to manufacture a million through a Swiss bank to sophisticated missile system, the obtain and ship the material.

Justice Department announced. The documents portray careful

Four arrests were made, the Cus- attempts to label the material false- from Switzerland between Decemtoms Service said, as a box contain- ly to avoid detection. ing carbon-carbon, a light, heat-International Airport.

sions of concern by the Reagan eration. administration about a "missile

allies in the Middle East, receives works as a marketing representation in military and economic aid from Washington annually suffice is second or the complaint, Mr. ally, putting it second only to Isra- Huffman would send the supplies

California, sketched an elaborate cer, would arrange to have them plan involving Egyptian diplomats sent on to Egypt. and military officers who used dip-lomatic vehicles, an embassy build-clearance rated "secret" from the ing and payments of more than \$1 U.S. Defense Department, and his

In court papers filed in Sacraresistant compound for rocket nose mento, the Justice Department

Egypt, one of the closest U.S. man of Lexington, Ohio, who his immunity.

to Baltimore, where Lieutenant Federal law enforcement officials, in court documents filed in med, a military procurement offiment is seeking 5740,000 in a

The Helmys and Mr. Huffman were among those arrested and cones and aircraft, was about to be charged that Abdelkader Helmy, charged, put aboard an Egyptian C-130 an Egyptian-born U.S. citizen who Colonel Mohammed was also transport at Baltimore-Washington is a rocket propulsion specialist at a detained but could not be held be-

ber 1987 and March 1988.

California aerospace company, di- cause he has diplomatic immunity, The arrests come after expres- rected the American end of the op- the State Department said. An official said no decision has been made Mr. Helmy arranged to have the yet whether to declare him persona aterial purchased by James Huff- non grata or to ask Egypt to waive

In the six-count criminal complaint filed in U.S. District Court in Sacramento, the five were charged with conspiracy, unlawful export of munitions items and

Helmy savings account. Colonel Mohammed was taken into custody, Mr. Huffman was ar-rested near Waldorf, Maryland, and taken to Baltimore and the Helmys were picked up in Sacramento and and held there.

Another Egyptian official, Colo-nel Hussam Yossef, who allegedly directed the operation from Salz-

burg was also charged.

A 36-page affidavit also detailed
Mr. Helmy's alleged dealings with
other Egyptian diplomats and officials, including Admiral Abdel Rahim el-Gohary of the Egyptian Em-bassy's procurement office and Lieutenant Colonel Abdel Monem Mahmoud, a member of the em-bassy's military office. am buying it to export it, it thrown in jail."

hassy's military office.

Rollin Klink, special agent in charge of the Customs Service's States did not have a clear picture of the Egyptian missile program o fidential source provided "very be used. However, Egypt and sketchy" information about an gentina are believed to be countried.

obtain and ship the material.

Charged in the case, allegedly remove than \$1 million by wire neer at Acrojet Solid Propulsion attempts to label the material false-

According to the affidavi agents tracked the two men as the delivered boxes to a buildis owned by the Egyptian Embassy.

Agents searching Mr. Helmy trash found handwritten notes out lining how to work with carbot carbon material, which improve rocket accuracy, details a dar detection, instructions building rocket exhaust nozi and a description of a microw telemetry anienna system.

A Customs special agent, Des E. Burns, said that when a w president of Aerojet Solid Prope sion Co. looked at the documents material, "he described it as a con plete package to build or upgrade tactical missile system."

Also found in the trash were ccipts for materials to make rot fuel, high-grade rocket propally rocket nose cones and exhaust zies, the affidavit said. It is illed export such items without a li-

wat to c

Court-authorized wiretaps cepted conversations in the case one conversation with Col Yossef in Austria on June I cording to the affidavit, Mr. Bi said, The items are controlled cannot be exported outside United States. If they knew t

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Ireland	चार	155	43	85	38	47	31
Italy	Lire	400,000	39	220,000	33	121,000	26
Luxembourg	LFr.	11,500	37	6,300	31	3,400	25
Netherlands	FL	660	40	365	33	200	27_
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Portugal	Esc.	26,000	51	14,300	46	7,900	40
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Sweden (air) —**(hd. del.)	S.Kr.	2,000 2,500	39 24	1,100 1,400	33 15	600 700	27 15
Switzerland	S.Fr.	510	44	280	38	154	32
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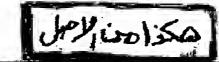
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> or personnel changes. the weeks leading up to the pering the press has published hing attacks on the party's au-itarian methods and past re-

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SOS ANGELES - Marvin Mit-"Dynasty," is facing miscona accusations, filed by the Cali-

..... nia State Bar Association,

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12 ng of chemis money.

the PLO is the guiding force in the disorders in the lands occupied by Israel since 1967. According to Palestinians here,

there were sharp exchanges at a Baghdad meeting a week ago of the PLO's Revolutionary Council. The 21 members disagreed on

choosing a successor to Abu Jihad, the guerrilla name of Khalil al-Wa-, the resistance tactician who was slain in Tunis in April Palestinians and others have said the killing was carried out by an Israeli raiding force that broke into his home and shot him to death.

Abu Jihad held the title of deputy Artillery duels erupted in Beirut by commander of the PLO guerolla between rival Palestinian factions force. Mr. Arafat is the com er, and he also heads the Revolutionary Council

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The Pal

More than 200 Palestinians have been killed since December, when said, when some members committee set when the uprising broke out in the West man formationing efficient More than 200 Palestinians have lutionary Council. Palestinians been killed since December, when said, when some members com-the uprising broke out in the West plained that a committee set up by Mr. Arafat in take over Abu Jihad's leaders, including Mr. Arafat, say role was not functioning efficiently. in the sprawling marshlands.

Others took exception to the exclusion from the committee of Abu dad radio said that the military had Rhad's widow, Umm Jihad. She used a successful combination of often acted as an assistant to her

The Palestinians quoted Mr. Third Army Corps. Arafat as telling the meeting that the committee and its actions, and that he still had confidence it would do a good job. For security reasons, the names

of the committee members who took part in the meeting were not made public.

■ Clash Kills 3 Syrians

on Sunday at Palestinian refugee onary Council. Renters reported from Beirut, The dispute crupted in the Revoquoting Palestinian sources.

# OVIET: Party Braces for Crucial Reform Session

pressions, on its secrecy and priviterms of office, competitive drils grew like a parasitic jungle issued as a joint directive from the vine through society, suffocating party and government.

According to the conference the initiative and sometimes fostering ses, free debate, competitive elec-

will also be able to issue Surference Sovi-directives to the Supreme Sovi-the country's compliant parliaculprit, the political alchemist who for important jobs. turned socialism into tyramy and reduces for government posi-ties and new safeguards for civil does not work. When he called last year for the

A few critics, venturing into premed to hope that it would give founder of the Bolshevik state.

The most critical proposals facing the conference call for drawing ference is to build up an elected government that will have the ed that hope, presumably in the a clear line between the party and the conference will make no party forcibly from functions that real legislative powers. should be carried out by factories

and farms or by local governments. party leader, predicts that one deputies chosen without competichange likely to be endorsed by the tion from nominees approved by conference will be to cut back or the party. climinate an array of party depart-

"The local party leader is accus-. Son, 60, the celebrity divorce tomed to the old way, where if there selected by competitive elections, for for such stars as Joan Colis a problem on a construction site, with full-time legislators and staff, he sends someone from the party adequate budgets and real power, apparatus out to deal with it," he They also propose a separation of said. "Tomorrow, there will be no-power, with holders of high party body to send there. He will be jobs generally barred from holding forced to look to the government." government posts at the same time. crats with a chance to use the same who like Mr. Dole, say strategists, taken place on whom Mr. Bush is reaching a kind of natural equi-ing out how far it can go."

Another proposal facing the con-ference would revoke the party's In an attempt to discredit the power to issue decrees that bind the party's monopoly on power, anagovernment. Typically, Soviet polysts have described how its tenlicy is hatched in the party, and

tions and secret ballots are to be-Stalin is identified as the prime come the rule in selecting people

The theses also call for limited bequeathed to his successors a cen- terms of office for party leaders, tralized "command economy" that who now often serve for life. There is speculation that the conference will consider mandatory retirement viously taboo territory, have traced for officials at the age of 70, and a the faults and problems of Soviet more effective procedure from resociety back to Lenin himself, the calling leaders who do not satisfy the rank and file,

of resistance. Party officials the government, extricating the strength and credibility to assume Currently, government, a net-work of councils of people's depu-

Mr. Kruchkov, the farm district ties, is a rubber stamp made up of The Supreme Soviet has not wit-

ments that by and large control and nessed a single dissenting vote been demonstrating his loyalty and run the government, agriculture since 1937, according to one Soviet The theses propose legislatures

> dent, they argue, he would have a new platform for his legislative Aside from presenting Demo-

compatibility.

# Pope LO Officials Set \$50 Million GULF: Iraq Cites a Gain Iraq Cites a Gain

(Continued from Page 1) bloody offensive in February 1984. That franian campaign appeared aimed at penetrating one of the weak points in Iraq's border defense lines because Iraq's superior tank forces could not easily operate

The communiqué read on Baghhighly trained Republican Guard nts and regular units from Irao's

The Guards, trained in marsh he assumed full responsibility for warfare in recent years and equipped with an assortment of able" in the region.

amphibious assault vehicles, Many people in stormed Iranian positions on the islands and the swamps.

Meanwhile, the mechanized units focused on clearing the territory between the islands and the border, the communiqué said.

The Iraqi defense minister, Gencral Adnan Khairallah, told Mr. Hussein in a telegram that the ofcamps, killing three Syrian soldiers, fensive would have a "direct effect on the course of the war in a way that compels the Iranian enemy to understand the logic of peace."

The Kuwaiti foreign minister Sheikh Sabah al-Ahmad al-Jaber as-Sahah, praised the victory and called on Iran to "listen to the voice of reason" and end the war. Kuwait, Iraq's neighbor to the south west, has been one of Baghdad's main supporters in the war. . .

Saturday's offensive follows con centrated Iraqi drives that included the recenture of the southern oil port on the Faw Peninsula on April 18 and Iraq's seizure of the Iranianoccupied village of Shalamcheh and the eastern approaches to the southern port of Basra, Irao's second largest city, on May 25.

A week ago, anti-Khomeini Iranian rebels of the National Liberation Army, which is supported by Iraq, said they had seized and withdrawn from the Iranian border town of Mehran.

(Continued from Page 1)

is seeking: someone who is compat-

ible, loyal, qualified to be president

and experienced in foreign policy or, as Mr. Bush explained recently,

"another George Bush," In Mr.

Dole's presidential campaign, he

argued his qualifications and expe-

rience, and in recent weeks he has

Associates of Mr. Dole have re-

cently described him as being

bored with the Senate especially

on the minority side. As vice presi-

## JAPAN: In the Far East, Increasing Respect for Its Work on Development

said there had been a positive tries, many of them the result of and the professions from older to change in Japan's attitude toward Japanese investment, start to sell in younger Asians.

Japan gional security, commented: "Everybody is relaxed because the

Americans are still in the region." "We used to need the Japanese, Mr. Wanandi, executive director but things have changed and now of the Center for Strategic and Inthey need us more," he explained, ternational Studies in Jakarra, said adding: "They have to find some that Japan was increasingly identiplace to put all that money." fying itself with the needs and aspi-Japan has enhanced its influence rations of other non-Communist

and status in the region, analysis said, by signaling that it would he a He added that Tokyo's efforts in benefactor and partner in developthe last two or three years to open its economy more widely to imment, rather than a predator exploiting abundant cheap labor and ports, to enlarge and liberalize its aid and expand industrial investraw materials. Japan's rise as a regional leader

ment in Southeast Asia had made has also coincided with a relative Japan "more and more respectdecline in U.S. economic power which American officials have warned, will inevitably curb the Many people in Southeast Asia who lived through World War II flood of imports from East Asia retain harsh memories of life under into the U.S. market. This has reinforced a conviction

ers, until a few years ago, resented what they saw as domineering ecomong market-oriented nations that plugging into the Japanese nomic behavior of Japan in the market, and making use of Japa-nese investment, technology and But the Singapore leader noted aid, is essential for their economic in a recent Japanese television interview that the Japan of 1988 was The main trading nations in this

> region have until recently been exporting nearly four time manufactured goods to the United States than to Japan.

But businessmen and Japanese to share responsibilities with others officials report that this pattern is in the region, and the transfer of largest industrial conglomerate, changing as the products of indus- leadership in government, business

pening," he noted.

Mr. Wanandi said that one result would be "closer integration" be-

tional negotiations to advance their

economic goals and preserve free

East-West Center in Honolulu, Ha-

end of the colonial era."

Victor Hao Li, president of the

Mr. Li said that other pivotal

bors, the need for the United States

would be "more willing in question Western models which were actween Japan and the other econocepted by their predecessors, and mics of east Asia. "It's already hapmore inclined to assert traditional cultural values and ways of doing The Singapore leader and other

officials in the region said they U.S. leaders, he said, knew very were interested in proposals ad- little about this upcoming generavanced by Japan and Australia for tion. The United States, he caulike-minded trading nations to act tioned, would have to do much in concert with Japan in interna-

These new leaders, he said,

more to understand the region. Lee Poh Ping, who teaches inter-national politics at the University of Malaya in Kuala Lumpur, said that younger Japanese are more confident and assertive than their

waii, said that Japan's emergence elders about taking an active role in as a leader and innovator across a broad front was part of a change of political and cultural attitudes in "They don't carry a guitt com-plex from World War II," he ex-plained. "They know that Japan's conomic and financial power, if He described this evolution as "a correctly applied, will make their country more influential and acshifting, if you will, of the political tectonic plates that were frozen in place after World War II and the

ceptable overseas." Since the 1970s, he noted, the governments of Singapore and Machanges were attempts by China to establish cooperative political and economic relations with its neighlaysia had applied Japanese work and management practices to some aspects of their economies. The Philippines and Thailand had also shown interest in Japanese methods of economic management, he

### TAKESHITA: Japan Leader Focuses World Attention on Asian Issues

(Continued from Page 1) East-West relations have given Japan a chance to expand its political

Japanese occupation, he said. Oth-

1970s and early 1980s, he added.

"I don't think any Japanese is

dreaming of a big Japanese empire and a co-prosperity sphere," he said. "It's a different world."

Paron Israsena, president of Siam Cement Co. Ltd., Thailand's

not the Japan of 1938.

role in regional affairs. "The emergence of a new detente is a special opportunity for us," said Kazno Kawanishi, an East Asia specialist at Mainichi Shimbun, a national daily newspaper. Suddenly the government can speak and act more freely on politi-

Reflecting this, Tokyo recently sent an official to observe the Soviet withdrawal from Afghanistan,

quarreled with Mr. Bush personally

on the Senate floor and accused the

vice president of misrepresenting

facts about his wife. Elizabeth H.

Dole, a former Transportation sec-

.One advantage, beyond shoring

with the press.

tion. Mr. Dole also has quarreled in the Midwest."

has made to a peacekeeping effort. In Toronto, Mr. Takeshita pressed participants at the summit meeting to support a political settlement in Cambodia once Vietnamese troops are withdrawn.

Most analysts view Japan's recent efforts in Asia as evidence of a new diplomatic maturity as well as of the economic self-interest that has long shaped external policy. Tokyo has sought to deflect U.S. pressure on South Korea and Taiwan to raise the value of their cur-

Michael S. Dukakis if he bypasses

"There's an appreciation for the

way Bob Dole is handling himself.

criticism Mr. Bush and Mr. Dole could be making a statement that

exchanged in the primaries, anoth- would embarrass the Democrats.

er drawback to Mr. Dole's selection By picking the man who finished could be concern by some Bush second to him, Mr. Bush could

aides over his temper, which has highlight the action of Governor often flared when his campaign Michael S. Dukakis if he bypasses

For instance, this year Mr. Dole ran second in the Democratic pri-

ing and partly because its imports from both are rising rapidly. Mr. Takeshita has consciously prepared for an expanded role in the region by sharply increasing contacts with other Asian nations since he came to office last November, analysts say.

A decline in Asia's standard criticisms of Japan — for its wartime aggression, for instance, or its longstanding reluctance to share technology - is taken in Tokyo as a measure of the region's increased acceptance of the role Japan is as-DOLE: Bush Camp Considers Senate Majority Leader suming. Nonetheless, officials emchasize the natural limits of this

> History is acknowledged as one factor in this, despite the reduced number of references to it. More immediately, any suggestion that Japan was evolving into a substitute for direct relations between the the Reverend Jesse L. Jackson, who West and the developing nations of Asia would quickly scuttle Tokyo's advances, officials believe. The military constraints in Ja-

pan's postwar constitution, these said a close associate of Mr. Bush. "There's a consensus that be officials add, would prevent Tokyo's participation in an arrangeretary in the Reagan administra- strengthens the ticket, particularly ment similar to the North Atlantic One of Mr. Bush's top aides in Treaty Organization. up support in the farm states and Teeter, who does his polling, said

the first personnel contribution it rencies, for instance, partly because librium, and to formalize it further it is sensitive to the political transiwould be difficult." tions the two nations are attempt-

There is some movement toward a formal association, however, in the less sensitive area of economic cooperation. Earlier this month the Ministry of International Trade and Industry announced plans to set up a separate agency to study questions relating to economic interdependence in the region.

Attention has also focused on the Pacific Economic Cooperation Conference, a 15-nation group of business, academic and political leaders that held its most recent meeting in Osaka last month.

Reflecting the region's preoccupation with its economic integration, the conference is now being considered as one possible basis for a Pacific version of the Organization for Economic Cooperation and Development, in which Japan would occupy a leading position.

While Japanese officials are impatient with what they view as Tokyo's insufficient influence in groups such as the OECD, they are also reluctant to relinquish the prestige attached to such associations. Equally, many Asian nations fear the power Japan would necessarily wield in a Pacific economic

We don't really know yet what me advantage, beyond shoring the selection process, Robert M.

"Japan lacks the unilateral clout we can do in the region," said Mr. support in the farm states and Teeter, who does his polling, said caling to some independents Saturday that no discussion has blike Mr. Dole say statement that a lack of the say statement of t

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Business takes off with Falcon

### A Test for Gorbachev

#### The West Is Watching

Moscow's Americanologists assiduously analyze every presidential election, trying to figure out the next twist and turn in U.S. policy. American Kremlinologists usually assumed that Soviet policy would be unchanging - until now In a remarkable shift, Americans will hang on every development reported from the extraordinary Communist Party conference that Mikhail Gorbachev has convened in Moscow this week. Soviet leaders would do well to understand the impact of the conference proceedings on the future of East-West relations. That relationship will be deeply influenced by the level of support that Mr. Gorbachev can muster for his policy of democratization.

Mr. Gorbachev is promoting both political and economic reforms. It is oot clear whether an economically stronger Soviet-Union would be good or bad for the United States. But there is far less doubt that political reform — bringing vigorous de-mocracy to the Soviet Union, combined with the checks and balances that democratic institutions exert over executive power — would be highly welcome.

Mr. Gorbachev seems at least to be nudging his country in this direction. His snost program has opened many tightly held political decisions to public discussion. Citizens' committees, once rubber stamps, have been grilling the delegates chosen to represent them at the conference. Mr. Gorbachev's own supporters have failed in some cases to be elected. It is hard to believe that a Communist Party leader would convene a conference he could not control. Indeed, the high drama surrounding this week's meeting stems from the apparent uncertainty of its outcome and of the degree of backing to be

given Mr. Gorbachev's programs.

The conference will consider several theses which have already been approved by the party's Central Committee. They concern judicial reform (more independence for judges, guarantee of citizens' personal and privacy rights); political reform (opening political meetings to the public, government officials serving oo more than two terms), and democratization (party members to nominate their own candidates as well as those proposed by the leadership, a two-term limit on membership in party committees). The test of Mr. Gorbachev's success will be how much of this agenda is accepted.

The Soviet leader has bruised the interests of many groups with his reforms but has few results to show for it yet. Party officials find their job security challenged, central plan-oers are being stripped of their vast power to micro-manage the economy, consumers are being told to work harder yet still find little new to buy. Mr. Gorbachev needs the equivalent of a vote of confidence from this conference to carry through his reforms during the many years it will take for the fruits of perestroika to become apparent.

However amazing the changes being made in Soviet life under glasnost and per-

estroika, these programs are still not irreversible. If Mr. Gorbachev now shows that he can make his agenda stick, his success will give the West confidence for the next steps in East-West relations.

-THE NEW YORK TIMES.

#### Back Down to Earth?

The most dramatic party meeting of the summer is the one about to open in Moscow. The "party conference" of the Communist Party of the Soviet Union takes on this aspect as a result of the remarkable struggle ng on within it over Mikhail Gorbachev's reform. He called the conference to push his program of restructuring and democratization. Others in the party, at the highest level and down through the ranks, resist. A week hence the battle will not be over, but at least its course will be more clearly known.

Perestroika, as Princeton's Robert C. Tucker has observed, goes beyond economic tinkering to radical reform of the political culture. The old conservative style of command from the top down is what brought the country to the rot that Mr. Gorbachev has used glasnost, or openness, to force it to face. The new political style involves recruiting the relatively progressive intellectual class to off-

set bureaucratic drag and popular apathy. Yet there are tricky ironies. Resisters have borrowed from the incipient party democratization to pack the party conference with their delegates, leaving Mr. Gorbachev to use the old manipulative techniques to seat some of his people. Yet these resisters, to counter the reformers, will have to adopt the reformers' tactic of public debate. A very faint but implicit two-party condition is shadowing the prevailing orthodoxy of one-party rule.

In the economic sphere, the central buresucracy fights decentralization in planning and management, and at all levels officials shy from the chance play of market forces. The general secretary has been compelled to delay the crucial item of price reform. The resistance, moreover, can claim a mass base. To many workers, restructuring means more workplace discipline, lower living standards and the prospect of unemployment as subsidies to inefficient enterprises end. They respond indifferently to the reforms being offered to the political and intellectual classes in party democratization, extension of the reach of law and cultural relaxation. Ed Hewett of the Brookings Institution suggests that Mr. Gorbachev made a major political mistake by not starting out with programs, in agriculture, for instance, that would pay off quickly for workers and build

a popular constituency for reform. Americans, including Ronald Reagan, are fascinated by the Gorbachev adventure. Inside the Soviet Union there is excitement, but there may also be a more sobering awareness of the difficulties than is evident in the more uncritical Western views. The party conference could contribute to the general knowledge, and to realism, too. - THE WASHINGTON POST.

### For Better Relations, Get On With Reforms

N EW YORK — Clearly the Communist Party conference opening tomorrow in Moscow will be a historic event that could determine the future of Mikhail Gorbachev's reforms. Less widely understood is its potentially decisive effect on the next phase of U.S.-Soviet relations.

In the last 40 years the relationship between the two countries has been affected far more by Moscow's behavior than by America's leaders. The reason lies in the delicate balance in American opinion toward the Soviet Union.

Most Americans hold somewhat contradictory views simultaneously: They distrist and dislike the Soviet Union, but they favor efforts to reduce the risks of war. To the left of these average Americans are those who always favor improving relations with Moscow; to the right is a smaller but highly vocal group that opposes cooperation of almost any sort. But oeither group has ever const nited a majority. The nonideological middle, which holds the key to U.S.-Soviet relations, reacts to events, not theories. Over the years, it has shifted back and forth in a cyclical pattern.

Thus each "thaw" in the Cold War or each Timis each "thaw" in the Cold War or each "spirit"—of Geneva (1955), Camp David (1959), Glassboro (1967), détente (1972 to 1974) and the SALT-2 summit meeting in Vienna (1979)—was followed by a brutal Soviet action which destroyed any hope of progress: Hungary (1956), the Berlin Wall (1961), Czechoslovakia (1968), Afghanistan (1979), Poland (1980 to 1982) and, of course, continual conversion of all internal dispersions. continual oppression of all internal dissenters.

Those actions reminded Americans that behind the photo opportunities the Soviet Union was still a Stalinist state, and shifted the political balance in the United States so that further By Richard C. Holbrooke

This history strongly suggests that the key variable in the relationship is not who is in control in

Washington but what is happening in Moscow. Of course, important differences exist between the American presidential candidates on how to deal with the Soviet Union. George Bush has taken a far more hostile stance than Michael Dukakis - or, ironically, the new Ronald Reagan —and it is not unfair to assume that Mr. Dukakis would make far more vigorous efforts to achieve progress. But the next president will be constrained by the mood of the electorate, and that mood, I believe, will be significantly influenced by the degree to which Mr. Gorbachev's reforms turn

out to be more than cosmetic surgery.

This is not to suggest that the Soviet Union most turn into a democracy in order for Washington and Moscow to move forward. We all know that this is not going to happen. But Moscow should begin its momentous party conference knowing that America is watching attentively. If Mr. Gorbachev's rhetoric about openness, plu-

ralism, multiple candidates for party office and a limit of two successive five-year terms for officials is even half implemented, and if the yoke of repression starts lifting from organized religious, national mi-norities and dissidents, then Mr. Gorbachev (like China's Deng Xiaoping) will not only transform his own society but also create the conditions for a real change in the 40-year pendulum pattern.

A more open, less repressive Soviet Union would still not resemble the sort of society in which most Americans could feel comfortable; too many of the basic freedoms they take for granted

will always remain denied, as in Mr. Deng's China But a more open and pluralistic society would almost certainly be less threatening to world peace and would significantly reduce the dangers of sudden "bolts from the blue" — surprises like the 1962 placement of missiles into Cuba.

On the other hand, if inside the Soviet Union conservative resistance succeeds, or if in testing the limits of glasnost some groups provoke KGB suppression or exile to a new gulag, or if events bring the Red Army back into an East European state as guarantors of a hated regime — if any of these things or any of a number of other events all too easily imagined takes place, what then?

The Soviet leaders must understand the answer to this question. They are embarked on a course that could change world power relationships, ultimately for the better. But if they turn back from the promise of reform, they will find many Americans hesitant to proceed down the course of genuinely improved relations. This will be the case regardless of who is elected president in November.

If the Soviets want to improve relations with

America in a fundamental way, their own reforms are critically important. The two issues — U.S.-Soviet relations and Mr. Gorbachev's reforms have become linked in a way that is new to the relationship. If Mr. Gorbachev's experiments fail to take root, or prove to be only exemetic, the brave new era in relations on which we are just hunched will end, as surely as every previous "thaw" did,

The writer, a managing director at Shearson Lehman Hutton, investment bankers, was assistant secretary of state for East Asian and Pacific affairs in the Carter administration. He contrib uted this comment to The New York Times.

### Sovereignt Is Eroding What Next

By Flora Lewis

P ARIS — The pious principle was intervention" have never being though, to provide control of the pious principle. though, to provide cerum som in a disorderly world and allord n a disorderly world and afford-ments to the weak against the as Now they are evoding, not be cause of groud and cyncians he cause of hard facts of image dence. The old ideas are genting way of adjustments needed in

weak at least as much as by the The clearest understanding clinging to sovereignty can be national capacity has come in his with a new spurt of enducing unity at the cost of Autonal 1 gatives. West Germany's Ono Lambadori has said blumby that tional sovereignty is an anacha-which causes governments to los er to narrow micreal micreal ask the farmers of northern Res Japan." (Their derumds help ble rational approach to agricultural In London, The Economics has

to favor a "monnet-ized Engle common currency for the Engle Community that it appealingly de to name after Jean Monnet, fait the Common Market. It points on that would not be enough he since losing the sowereign point print money could cause sever problems unless members also an harmonious economic policies:

But even as the old powers invented the idea of nation-sist finding it obsolescent, the wait filled up with ocw states desert to assert this right of dubious Because many are scarcely v.s. they are inevitably dependent of siders. The pride of flag, ambas and vote, which the United No accords them, has obscure handicap. Those symbols of ! cignty do not, after all, bring to ment. That takes interdepender

lo the same way, "intervend changing meaning because of a possibility of keeping a cruis mune to outside influence, car impoverished hermit states like nia and Burma, ft has long been edged word, more an expressi political bias than of principle.

When the Greek coloneis their coup in 1967, opponing." supporters said would be intered. The United States did nothing: opponents said served to hear one's and constituted intervent

Some Spaniards, Filipinos, & accuse the United States of in tion for having dealt with a ments in power instead of acting rid of dictators. The United Star intervened obviously in Grenad: aragua, Panama and Haiti in years, against the government in-er. What would "noninterve mean in the two sets of cases? The UN charter provides for

vention in a oursber of circumst it can run from political denunt to economic sanctions to the I force. The big difference is the decision requires international proval. Because of the Cold Will C intervention command never wa

west when the charter was sign.
The 1975 Helsinki accords in human rights provisions that sig states were bound to observe. M accepted the words but argue years that insistence on deeds v terference with sovereignty. Gra it has shifted to countercomp the pot and kettle ploy, admitti validity of the international age

So the coming question is w indeed there is an international munity, and, if so, what are its mate concerns. Not only the ri individual states need protectio those of the community as w national law protects the com-along with individuals. Drug and environmental pollution s amples of how countries wer

each other, regardless of sovere Should interdependence j some form of intervention in is human rights, or does sovereign low rulers to treat people within borders as they choose? Do cratic elections matter to outs

Zbigniew Brzezinski has at that skirts the legal issues but toward new approaches. It is for toping all national elections, 5 with the United States, under at of an unofficial but highly pres international group, such as the Action Council of former gover leaders. Fair elections would be fied. Silence would resound. The old precepts of interes relations are being overtaken real world of inevitable ties.

The New York Times.

### 'Peaceful Coexistence' Has Never Been Enough

By Arthur Macy Cox

WASHINGTON — Mikhail Gorbachev miscalculated badly at the Moscow summit when he proposed that U.S.-Soviet relations be guided by the principle of peaceful coexistence. He would have been far better advised to propose a "stable coexistence" in which both sides would demilitarize their competition. After 40 years of Cold War compe-

tition, neither mistrust nor military buildup will be eliminated by sudden, sweeping initiatives such as those launched by the Russians at Reykjavik and Moscow. Both sides have to demonstrate through policies and actions that they have changed course: the negotiation must be thorough, constant and carefully prepared.

Obviously, nothing is wrong with the words "peaceful" and "coexistence." But as interpreted by Moscow they agreed that peaceful coexist-- the avoidance of war among the major powers — the theory is unacceptable to the United States, as Mr. Gorbachev should have known. The term was invented by Lenin

after the revolotion. While he thought that confrontation with the West was inevitable, he also realized that his fragile government had to avoid a collision as long as possible. Therefore, his diplomacy promoted a relationship of peaceful coexistence.



ence remained essential, the Cold War continued unchecked, and Mr. Khrushchev proclaimed Soviet sup-

port for wars of national liberation. At the 1972 Moscow summit, Richard Nixon and Leonid Brezhnev signed the "Basic Principles of U.S.-Soviet Relations," which said that in a nuclear age there was no alternative to peaceful coexistence. The Russians maintained that this new declaration did not conflict with their support for wars of national liberation.

Proxy Cuban combat forces intervened in Angola, South Yerren and Ethiopia, and Vietnamese troops were sent into Cambodia. The Soviet army invaded Afghanistan.

Clearly, "peaceful coexistence" is an inadequate term that represents the old thinking. Stable coexistence, or the demilitarization of U.S.-Soviet competition, is far better.

Mr. Gorbachev has said that competition should be limited to economics, politics and ideology. This would mean that neither superpower would try to advance its political objectives with direct or indirect military force. This would mean an end to Soviet military intervention in support of national liberation movements and also an end to U.S. containment of communism through direct or indirect military force.

nation decide which system and which ideology is better." America should welcome such competition, so long as military force is barred.

A recent joint study by the U.S.A.
Canada Institute of the Academy of

Sciences of the U.S.S.R. and the American Committee oo U.S.-Soviet Relations made several recommendations for joint action, including avoiding the use of U.S. or Soviet combat military forces in regional conflicts, refraining from introducing proxy or volunteer military forces of covert paramilitary forces in regional conflicts; sharply limiting the number of military advisers or trainers that may be sent to Third World countries; barring the transfer of specified sophisticated weapons to Third World countries and using their diplomatic influence to persuade other major producers of arms to ban transfer of the weapons; creating jointly manned intelligence centers in Moscow and Washington to pro-

vide verification of the agreements.

These steps, along with measures to reduce nuclear and conventional arms, would not only push beyond the narrow concept of peaceful coexistence but provide a realistic basis for ending the Cold War.

The writer is secretary of the American Committee on U.S.-Soviet Relations, in Washington, and co-director with Georgi A. Arbatov, a Soviet expert on the United States, of a joint study on stable coexistence. He contributed this As Mr. Gorbachev said, "Let each comment to The New York Times.

### What Is Zia Up To?

Other Comment

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Directeur de la publication: Walter N. Thaver.

What is President Zia doing in Pakistan, country is unprepared for much beyond throwing out the civilian cabinet and dissolving the parliament? He had some complaints apparently about the way Prime Minister Mohammed Khan Junejo (oo revolutionary) was running the government. But the essence of it seems to be that President Zia, a former general who came to power by coup 11 years ago, distrusts civil-ian rule and decided to tighten control. Evidently he finds the appearance of de-

mocracy convenient - up to a point. The constitution obliges him to hold or call new elections in 90 days. He invites further uncertainty until and unless he announces elections 1) on a specific date and 2) with the participation of the political parties, which were banned the last time around. Elections, of course, may return a victor reluctant to draw the proper lesson from President Zia's latest exercise in whip-cracking. Her pregnancy may yet slow one leading challenger, Benazir Bhutto, daughter and political heir of his old nemesis, but at this point

she does not sound very intimidated. Two broad political ideas are competing. oow in Pakistan. The Zia idea is that the

**Europe: Nation-States Still** 

How is this vast single European market

going to defend itself if, as the price of

getting all the economic advantages of a

single market, the great nation-states of

Europe have had to renounce all those as-

pects of national independence for which

Envy plays as large a part in international

relations as it does in personal ones and if a

united Europe really does become as rich as

everyone expects, envious eyes will certainly

be cast upon it from all quarters of the globe.

Unless a very rich geographical area - unit-

ed Europe won't be a country -is feared, its

chances of survival won't be very good. And

it won't be feared if potential enemies know

that ordinary Britons, Frenchmen, Germans

feel no loyalty to the new supranational

federation and its bureaucratic institutions.

may on paper have far more economic re-

sources than did any of its former compo-

Although the new European federation

ordinary people are prepared to die?

ided democracy" and that it has a spe cial need for military-led stability as the Soviets leave Afghanistan and as the United States and others contemplate the "post-Afghanistan" prospect. The competing idea is that Pakistan is ready and waiting for more democracy than the generals are willing to yield up and that a government more attuned to popular sentiments is better fit to take the country into the 1990s.

Certainly most American friends of Pakistan believe in the more-democracy alternative. With Soviet troops leaving Afghanistan, the case for a military-dominated government to oversee the important Pakistani role in sustaining the resistance fades. The U.S. interest in Afghanistan led Washington to stifle many of the questions it had about the strong military hand in Islamabad and the Pakistani nuclear program, among other things; an elected government will be in a better position to deal with such questions. Tough issues of aid and arms have a better chance of being worked out smoothly in a context of discussion between democracies.

- THE WASHINGTON POST.

cent parts, it will be deficient in the most

vital of all sources of strength: love of coun-

try. As long as Russian nationalism remains

in all its pristine vigor, it would be blind folly

for the countries of Western Europe to sup-

pose that some ersatz elixir, called European-

ism, can hope to stand up to it. A Europe des

patries — that is as far as prudence can allow

the integrationist pressures to go.

As it happens, Margaret Thatcher has oo

more intention of allowing a federal Europe

to come about than did Charles de Gaulle.

Her intention is the same as his: to maxi-

mize the economic, and even diplomatic,

advantages of unity without sacrificing one

iot more of national sovereignty than is

absolutely necessary. Of course, there is

duplicity here, as there was in de Gaulle's

case. It is all a bit of an act. Only the

superpowers - and perhaps not even they

of statecraft is a bit of an act.

are genuinely independent. But so much

in The Sunday Telegraph (London).

- Peregrine Worsthorne

### Palestinian Strategists Will Have to Do Better By Stephen S. Rosenfeld

WASHINGTON — The trouble with the Palestinians, their curse, is that they have a cause, but no strategy for achieving it. Plenty of justice, plenty of rage and, from their West Bank uprising, new sympathy, but no political plan, no organizational discipline. It was apparently to fill some part of that gap that the Palestine Liberation Organization lofted a peace proposal, in its fashion, at the

Arab summit in Algiers this month. The proposal surfaced as an un-signed "document" and was widely circulated at Algiers, although, it seems, in English only. It got into print in London and Beirut and later in The New York Times (on June 22) as an article signed by Bassam Ahu Sharif. spokesman of Yasser Arafat.

The document-article accepts Isra el and defines Israel's as well as the Palestinians' objectives as lasting peace and security. It calls for direct talks between Israel and Mr. Arafat's Palestine Liberation Organization or whatever entity West Bankers and Gazans might choose over the PLO in an internationally supervised referendum. It says that the PLO accepts United Nations Resolutions 242 and 338 and that it would do so uncooditionally except that the resolutions say nothing of Palestinian national rights. It suggests, to reassure Israel, a brief transition to Palestinian statebood in which an "international mandate" would run in the West Bank and Gaza. It further suggests a UN buffer force inside the new

state's border with Israel. In short, at a moment when people wonder if the Palestinians have any workable notions for a settlement the document attractively packages some of the more conciliatory ideas of Palestinian moderates. It shows the too-little-seen face of the Palestinian movement that is not anti-Zionist. It addresses the central Israeli fear that the PLO is pursuing oot coexistence but the destruction of the Jewish state. This is the way for Pal-

estinians to melt Israeli resistance. Palestinian diplomary, however, is a cave of shadows. The serious question is how Israelis could, even if they all longed to, make something out of a dovish pronouncement by an individual who may or may not be speaking for his notoriously changeable and multi-voiced chief. Mr. Arafat, and who may or may oot be representing a live current of PLO policy. To get political results out of such a

pronouncement, it needs to be demonstrated that Mr. Sharif represents the wave of a real alternative future and that he is not merely playing out a oew desire of Palestinians for self-charade to deflect the double criticism sufficiency — ways to make themof the Palestinians as relentless in protest and bankrupt in diplomacy. Mr. Sharif was earlier associated

with one of the principal Palestinian

wounded by a letter bomb that the for the Israelis to dismiss, as their PLO attributed to the Israelis. For prime minister did, as "nothing new." this latest statement, which voices thoughts for which Palestinians are ment found the text "constructive" sometimes mardered by their own, be and "positive" but saw no evidence was denounced for "high treason" by that it was "authoritative." There is a kind of affirm

cally took his distance and declined to back up his side. put forth by the PLO. But the wispiness and uncertain shelf life of this

bub. Chairman Arafat characteristi-

In Washington, the State Depart-

There is a kind of affirmative-action case to be made for Palestinian wispiness. It is not an adequate basis on which Israel can plan for its fu-The Israeli government, eager for ture; bot it may be the only basis peace on its own terms, is only emayallable on which something sturdibarrassed by any impression of reasonableness and limited objectives have to be cultivated, responded to, rather than dismissed. There are whole visions of a diplomatic breakthrough latest initiative make it an easy one founded on careful incremental trust-

building by politicians sensitive to each other's unspoken needs. But this is the Middle East: rough terrain for tender shoots. Whatever Mr. Sharif intended, his initiative seems to be coming out as a demonstration of Palestinian frailty. There is a place for trial balloons carefully lannehed, but this one seems casual even by the standards of the Palestinian movement. Had Israeli annexationists sought to contrive a showing that Israel has no ready Palestinis negotiating partner, this is about what they might have done. I wonder if the Soviets, who are getting into the Middie East diplomatic game, can help the Palestinians do better.

The Washington Post.

### The Future Is Now and It Isn't Pretty

B OSTON — If Israel continues on its present path, maintaining dominion over the West Bank and Gaza, what kind of country will it be

five or 10 years from oow? The question is a realistic and important oce, By all accounts the Palestinlan uprising has moved Israelis to the right politically. This fall's election may produce a majority government opposed to any with-drawal from the occupied territo-ties. The status que would continue into the indefinite future.

We can glimpse that future, then, in scenes of the present. A telling one involves a Palestinian named Jad Isaac, a 41-year-old professor of biology at Bethlehem University. His story was reported by Glenn Frankel of The Washington Post.

Professor Isaac lives in the Christian village of Beit Sahur in the West Bank, where his family has been for centuries. He grew up there but got his advanced degrees abroad: an M.A. at Rutgers, in New Jersey, and a Ph.D. at the University of East Anglia in England. Beit Sahur is a quiet place, and Mr. Isaac lived a quiet, nonpolitical life. His avocation was gardening. On an acre of ground behind his house he had vegetables,

strawberries and fruit and nut trees. Last March, stores in Beit Sahur began closing because of the uprising. Neighbors asked Mr. Isaac how to grow their own food. He and two friends had an idea. They bought seedlings and sold them. When that worked, they added seeds and fertilizer. Someone gave them a shed. They opened a garden shop.

The shop was a success. It met the selves economically independent of Israel. Along with the sales, Mr. Isaac gave advice on gardening.

One afternoon at the end of May rejectionist groups; he was badly an Israeli major, a captain and a ually lose the great reservoir of sympa-

By Anthony Lewis

dozen soldiers drove up to the Isaac house. They took the professor off to jail, holding him there outil midnight. On June 1 he and one of his part-ners were called to military headquarters. They were told that they would be put in administrative detention for up to six mooths unless they gave up the garden shop. "Administrative detention" means being imprisoned without trial.

In the next several days Mr. Isaac or his partners were questioned at military headquarters and held for the day. His telephone was cut off. Military jeeps began patrolling around his street; flashlights were shone into the windows of his home at night. On June 6 be gave up. He closed the garden shop. Called before the military goveroor, be signed a paper promising not to engage in pobics. A military spokesman, asked about the matter, said only: "The investigation is over and he will not be called in again."

That is the future if Israel continues on its present path: lawless intimidation of a middle-class Palestinian academic because he opened a shop. It must be the future because occu-

pation requires repression. Palestinians cannot be allowed to become selfsufficient. They must be part of the Israeli market, dependent on it to live. Repression breeds hate, the late Justice Louis Brandeis said. The Palestinians will not accept their fate more meekly. The violence that has smoldered at low levels during the uprising

more repression, corrupting Israel's law and brutalizing its society. And repression may not be all. Parnes of the extreme right in Israel call for expulsion of all the Palestinians from their homes in the West Bank. And those parties are gaining strength. in such a future, Israel would grad-

may grow worse. There will have to be

elsewhere. If it should actually engage in mass removals of population, I do not believe that the American aid so crucial to its life could continue. The politicians who make Israel's

present policy, and the Americans who support it, should not be allowed to talk as if the policy could somehow lead to tranquility. They should be asked about the future.

Making peace is difficult, but it is no favor to Israel to pretend that it can

be a humane and democratic state if it follows the alternative course. Rejecting peace with the Palestinians choosing permanent domination instead - is a recipe for self-destruction.

The New York Times.

### 100, 75 AND 50 YEARS AGO

1888: German Manifesto NEW YORK - The speech in Berlin of the Emperor William II was enthu-

siastically received by all Germans in America. The New York Staats Zeitung says today [June 26]: "All Wil-helm the Second's previous utterances fade into nothingness by the disorder due to demoralization side of the speech from the throne. Its cal authority in almost every ! first words are of pregnant interest, as he declares his foreign policy to be justification of the present po one of peace. The greater part of the speech is an answer to Russia that has grant formal recognition to the sought to make it appear that the Triple Alliance was anything but a other foreign powers have don bond of peace. At the same time the Emperor has Russia in view when he adds that the party attacking one of Germany's allies becomes thereby Germany's enemy. The speech is a over the weekend [June 24-2 peace manifesto to the world."

1913: Mexican Crisis

Administration read with great interest the New York Herald's Mexico in Tel Aviv Thursday [June 23]

City despatch announcing the nation of the agreement of General Felix Diaz agreed to 9 the Huerta government if Pre Huerta in turn, would not opportunity of G Diaz. The cabinet crisis in N with the widespread outlaws justification of the present po ta régime, although practica

1938: Mideast Trow TEL AVIV - Continued dis

tween Tel Aviv and Jaffa restil several dead and wounded. bombs exploded, one wounding Jews, including a woman and WASHINGTON — Officials of the while the other wounded four

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### International Herald Tribune Special News Report



Monday, June 27, 1988

# Japan: Grappling With Success

### THE NEWS

#### ich 22: Toshiba Is Fined Hegal Trading

he Machine Co. is found guilty of il-y trading with the Soviet Union and is d \$15,000. Two company executives We suspended jail seatences in connec-with the affair which involved sale of inve military technology to the Soviet in from 1982 m 1984. More on TOSHIBA, page 8.

#### ach 24: GATT Panel as on Chip Pact

ind of the General Agreement on its and Trade rules that Japan's agree with the United States to maintain nces for its exports of microchips the rules of the trade organization. More on TRADE, page 9.

### 1 30: Takeshita Starts

ropean Tour Minister Noboru Takeshita visits Vatican at the start of an 11-day tour of ppean capitals aimed at signaling a phase in Japan's ties with European amity countries. Mr. Takeshita's his first in Enrope as Japan's leader, is ed as a personal challenge.

More on TAKESHITA, page 8.

#### ne 14: Party Announces x Reform Proposals

governing Liberal Democratic Party ices its proposals for a broad reform tax system. On the same day, Jacounces that it will donate more than allion in economic aid to developing as between now and 1992. More on AID, page 10.

#### e 23: Economy Posts cord Crowth

panese economy expanded at an rate of 11.3 percent in the first three s of this year, its fastest pace in han a decade. The increase represented ourth consecutive year of accelerated

More on the ECONOMY, page 9.

### A Season of 'Initiatives' to Match a Global Role

The reactive aspect of our system is changing, but for many of us the change is not coming nearly as quickly as it should.

#### By Patrick L Smith

"When situations change, the Japanese can change their bearings and set themselves on a Ruth Benedict, "The Chrysanthemum and

the Sword," 1946.

OKYO — The emblems of achievement are all in place: The nation's banks are the largest, its per capita income is the highest and its currency the strongest; it is the world's largest aid. donor and number one source of credit. At home and abroad, its 122 million citizens are consuming more than at any previous time in

their history. There is no mistaking the swell of pride that has accompanied Japan's attainment of such superlatives. And nowhere was this "changed situation" more graphically evident than at the recent summit meeting of advanced nations in Toronto, where the Japanese presence was fre-quently compared with that of the United

States at summit sessions gone by.

In Tokyo it is the season of "initiatives," each a display of the nation's determination to advance toward a place in the global order that is both independent and in keeping with its newfound prominence. So far these have ranged from foreign aid and domestic spending to science, technology and security. Each such effort is also intended to lend

Yasuhiro Nakasone, who completed five years as prime minister last year. Having achieved its postwar goal of rebuilding the nation, Mr. Nakasone asserted in many different contexts, apan must determine where it goes from here.

What is now emerging in Japan, however, is not an enthusiastic search for responses to the challenge of "internationalization." Rather, it is an ambivalent, often reluctant groping by officials for answers to unexpected questions and a sense among the Japanese that the taste of success has so far proven bland.

If the situation has changed, the questions still linger. Is Japan struggling to "set a new course," as Miss Benedict, the renowned anthropologist, wrote in a different era? Or is it sinking into the smugness of affluence and an ennui that has beset the national disposition at intervals in recent history?

"I credit the Japanese with understanding their responsibilities in a relatively short period of time," said Kazno Aichi, a prominent memsubstance to the ideas first put forward by

ber of the national legislature. "But it's not major bilateral irritants. sufficient yet. An idea is one thing, to translate it in a concrete proposals is another." At home at least, it appears to be of little

importance that the tasks at hand have fallen to Prime Minister Noborn Takeshita, a leader who advances the values of the traditional village more vigorously than those of a statesman on the international stage.

As if to compensate for the contrast between his own political profile and that of his predecessor, Mr. Takeshita has placed unusual cmphasis on international appearances and the addition of hard results to the broad concepts left behind by Mr. Nakasone.

In many respects, the accomplishments have been impressive. In recent weeks, Mr. Takeshita has overseen a dramatic increase in Japan's foreign aid program, signed a pact with the United States on scientific cooperation and settled long-running rows over access to the Japanese construction market and imports of

beef and oranges — minor trade issues but

On the defense front, diplomats say, the prime minister has brought Japan's role in maintaining U.S. bases here to the allowable limit under the current status-of-forces agreement between Tokyo and Washington.

The pace of economic growth - 11.3 percent on an annual basis in first-quarter 1988 is an unassailable demonstration that Tokyo is doing its part to restore equilibrium to global trade. The prime minister is also committed to engaging the sensitive issue of tax reform, another key to raising domestic consumption.

Even the administration's opponents concede that Mr. Takeshita's brief record offers clear evidence of change in Japan. But it is just as clear, they say, that the fundamental sources of criticism have so far gone unaddressed.

The nation has yet to demonstrate, above all,

More broadly, many analysts ask, which of Japan's recent initiatives was launched without the exertion of extreme pressure from overseas, usually from the United States? Ire abroad is widely recognized as an almost essential tool whenever the governing Liberal Democratic Party is faced with the necessity of altering policy at home.

a willingness in place political and diplomatic

considerations above the economic self-inter-

est that has defined policy in the postwar era.

Despite recent foreign aid increases, for in-

stance, almost three-quarters of Tokyo's dis-

bursements still flows to Asian nations, where opportunities for Japanese manufacturers are

To an extent, an unexpectedly strong performance by Mr. Takeshita in Toronto has begun to blunt such criticisms. But a wait-and-see attitude toward the impact of the prime minister's efforts remains prevalent even among many government officials.

"Yes, this reactive aspect of our system is changing, but very gradually." Sakutaro Tan-ino, a senior Foreign Ministry official, said recently with undisguised impatience. "And for many of us, the change is not coming nearly as quickly as it should."

UCH comments are typical, since the Foreign Ministry is among the most forward-looking sections of Tokyo's powerful bureaucracy. But Mr. Tanino and other ministry officials readily acknowledge they are the bureaucracy's weakest link; time and again, their efforts are defeated by more conservative agencies.

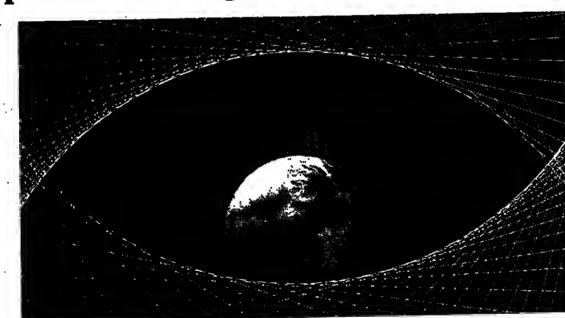
Commentators in and out of government often locate the centers of resistance and inertia in Japan among the Japanese themselves. The nation's relatively poor quality of life, which is almost universally acknowledged, is hardly conducive to a broadening of public perspectives on the responsibilities Japan now faces, local political analysts add.

But the problem lies less in popular attitudes than in the nature of power itself, a growing number of Japanese and foreign analysts as-sert. The speed at which Japan liberalizes, they say, will depend largely on how quickly the nation transforms itself into a society in which consumers have a greater voice.

There has been incremental movement away from the standing postwar formula, in which the bureaucracy served industry and individ-uals contributed a high national savings rate. The current effort to alter the pational tax

Continued on page 9

### There should be more to global corporate banking than good deals



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## **Toshiba Case Marks Security Discussions** With Washington

By Daniel Sneider

NOKYO — When Japan decided to fund the first of several Aegis-equipped ships in this fiscal year's budget, the Pentagon was naturally delighted. For several years, the Pentagon has been quietly pushing Japan to acquire Aegis, its most advanced radar system, designed to defend ships against air attack. The decision will give Japan a significant capability to fulfill its pledge to defend the sea

lanes out to 1,000 miles from its shores. Within Japan, the government has been crit-

icized for wasting money on a ship that is too costly, at about \$1 billion each, and unneces-

sary for Japan's defense.

Ironically, the strongest, and certainly most unanticipated, opposition has come from within the United States. A small but powerful group of Congressmen has been trying to block the sale.

The Aegis case is only one of many reflections of new tensions in the U.S.-Japan securi-ty relationship in the aftermath of last year's highly publicized Toshiba Machine case. The Japanese company illegally sold sophisticated propeller-milling machinery to the Soviet Union that could have been used to make

"In the view of the Toshiba matter, we can't afford to offer the Star Wars of the sea to a country that has been unable to protect our secrets," declared Representative Duncan L. Hunter, Republican of California, who has led

the anti-Aegis fight. Mr. Hunter was also in the forefront of a wave of anti-Japanese actions when the Toshiba affair broke in the spring of last year. He was one of nine Congressmen who wielded sledgehammers in front of the Capitol to smash a Toshiba-made radio in a much-publicized display of their demand for sanctions against the firm. He sponsored legislation to impose punitive measures against Toshiba Machine and its parent, the giant electrical manufacturer Toshiba Corp.

The Toshiba legislation is the most promi-

neut example of the anti-Japanese feelings gen-erated by the potent mixture of trade friction and the image of Japan as a lax security part-

According to some U.S. critics, Japanese business and government have been more interested in doing business than in enforcing restrictions on the flow of militarily sensitive technology to communist countries, Japan is a member of the 16-nation Coordinating Com-mittee on Export Controls, or COCOM, the Western body that coordinates controls on strategic technology flows.

Congress ultimately passed an amendment to the Omnibus trade bill that imposes a 3-year import ban on Toshiba Machine and some-what milder sanctions on the parent firm.

The Reagan administration opposed such measures, pointing to the significant efforts Japan has made since the case to tighten their controls and revise laws to impose tougher penalties on illegal exporters. The U.S. legisla-tion, officials of both countries argued, is a violation of Japan's sovereignty and could un-dermine the functioning of COCOM.

The president's veto of the trade bill did not

cite the Toshiba sanctions as a cause for rejection, signaling that a revised bill with the sanctions would not draw a veto.

The concerns about technology have melded into larger complaints that Japan, along with some Western European nations, is not carrying its fair share of defense. The most oft cited comparison is the level of defense spending as a percentage of gross national product — near-ly 6 percent in the United States and little more han I percent in Japan.

"Japan's efforts are too little and too slow." said Representative Patricia Schroeder, Democrat of Colorado and chairwoman of a House

### Pentagon officials have been waging a battle against a 'new isolationism.'

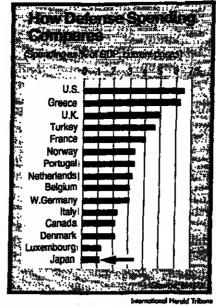
of Representatives panel on burden sharing, at hearings in February.

Japan draws particular fire for running a ge trade surplus while the U.S. trade and budget deficits remain massive. The U.S. deficits, such critics argue, are due in part to a global defense burden that the United States can no longer shoulder to the current extent.

While calling on Japan to do more in the area of defense, Pentagon officials have been waging a battle in the Congress and elsewhere against what Defense Secretary Frank C. Carlucci has tabbed a "new isolationism."

"I have tried to make certain the American people—and their representatives in Congress
— do not underestimate what our allies contribute toward our common defense," Mr. Carlucci said in a speech to the Japan National Press Club early in June. "In Japan's case, those contributions are significant, and they are on the increase,"

Mr. Carlucci cited the steady growth in Japanese defense spending, averaging almost 6 percent a year during this decade, and the extension of Japan's defense sphere to cover air and sea lanes out to 1,000 miles from its coast, Japan's American-authored post-World War



Il constitution limits its military role to the self-defense of its own territory.

"In another measure of alliance support," Mr. Carlucci noted, "Japan spends an average of \$45,000 each year for every American serviceman and servicewoman stationed here the most generous host-nation support of any

U.S. defense officials also point to progress in the area of cooperation on defense technology development. During Mr. Carlucci's visit, the two countries concluded talks on an agreement for joint development of a new fig aircraft based on the design of General Dynamic's F-16.

Pentagon officials privately worry that po-tential Congressional actions on programs like the Aegis sale could endanger this kind of

Japanese and U.S. officials agree that the greatest area of expansion of Japanese spending should come in the area of economic development assistance to countries that have strategic importance, such as the Philippines, rather than a much larger military buildup. Japanese aid, a Foreign Ministry official ex-plained, is restricted by law to nonmilitary purposes. "But it is strategic in the sense of where the money is going," he said.

For the past 10 years, he said, "we are giving to what we call countries located around a conflict area." He mentioned recipients like Turkey, Egypt, Oman, Thailand, Indonesia, Pakistan and the Philippines. Aside from the Philippines, assistance for Afghan refugees is high on Japan's current list.

Japanese officials, who point with pride to the relatively upbeat record of security cooperation, respond testily to their American critics, "We welcome any argument based on objective facts and that is what the American administration is doing," the Foreign Ministry official explained. "On that basis, if there is more Japan can do for international welfare, we will do. But if there is going to he just emotional slander, there is going to he a very strong reaction from this country as well."

DANIEL SNEIDER is the Tokyo corresp dent for The Christian Science Monitor and for

## Takeshita Keeps Pundits Guessing

By Margaret Shapiro

OKYO — When Prime Minister Noboru Takeshita took office last November, few grand predictions were made. Skilled at packroom political maneuvering, Mr. Takeshita was widely be-moaned even in his own party as too vague, unable to lead and lacking in the foreign policy expertise to serve Japan's global interests

In six months the diminutive Mr. Takeshita has proven the political pundits both right and wrong. His vagueness and reluc-tance to step out front remain legendary, as does his eagerness to accommodate all factions of his ruling Liberal Democratic Party, even at some cost to Japan's international relations. Yet Mr. Takeshita has begun to solve some of the thorny problems that his more flamboyant and internationally popular predecessor, Yasuhiro Nakasone, left behind, albeit in an

often agonizingly slow manner.

Analysts say it is still too early to conclude whether Mr. Take shita will prove to be the masterful accomplisher that his proponents assert or the directionless and quickly forgotten interim that his detractors predict. It is also too soon to know whether Mr. Takeshita can achieve what is likely to be one of his major goals: winning a second two-year term.
"It's only been six months. We

have to wait a year probably to make any clear judgment," said a political consultant, Takayoshi Miyagawa, Still, a quarter of the way

through his term, Mr. Takeshita appears fairly popular at home even if he is far from a household name abroad.

In part his popularity stems from circumstances beyond his control: Japan's booming econo-my; growing pride among Japa-nese that they have become a world power; the irrepressible Tokyo stock market, and stable currency exchange rates, key for this export-dependent economy. Critics assert these are the only

reasons Mr. Takeshita is popula since he has proposed little and done little since becoming prime "His way of handling things is

by doing nothing," said one of those critics, Masashi Ishibashi, a Diet member and former bead of the Japan Socialist Party.

Government officials concede there have been only modest domestic initiatives, such as steps to stem the phenomenal rise in Tokyo land prices and increased



### Noboru Takeshita: His supporters maintain he is biding his time until a consensus emerges.

spending on public works, from parks to new roads, in an effort to xpand Japan's domestic economy. The major domestic thrust of the Takeshita cabinet, and its major test, is expected this summer when the Japanese Diet is sched-uled to consider the issue of tax reform. Until that is out of the way, government officials said, Mr. Takeshita will not take on other major domestic issues.

Two of Mr. Takeshita's predecessors as prime minister, Mr. Na-kasone and Masayoshi Ohira, tried and failed to reform Japan's outdated tax system. Diet and LDP committees have been debating the tax system and possible changes for months. While Mr. Takeshita has said tax reform is necessary he has yet to commit himself to any specific approach. Supporters maintain that he is playing the role of master politi-cian, biding his time until oppo-

that will win. "For Takeshita, tax reform is a very important test," one highranking government official said recently. "That is why he is being cautious." On the international

nents have worn themselves out, at

which point a consensus will

emerge that he can support and

front, there has been more action over the last six months. Mr. Takeshna, eager to counter the image that he is weak in the foreign policy area, has traveled frequently, most recently to Eu-

rope. On these trips he has been articulating a new, more active in-ternational role for Japan, one commensurate with its new economic power. In terms of Japan's relations with the United States, Mr. Take-

shits. like all his predecessors since World War II, has declared good relations his primary foreign policy goal and has tried to soothe the recent rancor in the relation-In the last seven months, the

Takeshita cabinet has resolved a long standing dispute over foreign access to Japanese public works projects, agreed to pack up a great-er share of the cost of basing U.S. troops in Japan, and has begin chipping away at its trade surplus as demanded by the Reagan ad-ministration. Nonetheless, trade friction with the United States remains high and has become more severe recently over Japan's un-willingness to liberalize its orange and beef markets as U.S. trade negotiators say Japan promised several years ago.

The farm lobby, which is extremely powerful in Japan, has vehemently opposed opening those markets. While most politicians and government officials privately acknowledge that liberalization is inevitable and will benefit Japanese consumers, the Takeshita cabinet so far has shown little flexibility on this issue. Mr. Takeshita himself has expressed few public opinions on the issue except to say he would like to see the issue resolved bilaterally and as soon as

U.S trade officials, meanwhile, say that the beef and orange issue is probably just the first of many difficult trade problems likely in the next couple of years. U.S. and Japanese irade negotiators reached an agreement last Mon-day to end gradually Japan's re-strictions on beef and citrus im-ports, as the United States has

been demanding for years.

"The easy ones have all been solved and only the tough ones, the politically difficult ones for Japan are left," said one trade official. "The real question will be whether Takeshita, who is supposed to be such an adept inside player, can handle it."

MARGARET SHAPIRO is a Washington Post correspondent

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Restructuring A Washington View



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### **Experts Fear Economy May** Be Overheated

By Andrew Horvat

OKYO — The Japanese economy performed beyond all expectations in the fiscal year ending arch 31. The gross national oduct grew at a faster rate than any time in the previous decade. using starts were up, as were iblic works projects. Last year's inilion yen pump-priming sup-ementary budget, part of an terall policy initiative to shift the onomy away from a heavy de-indence on export-led growth, ems to have taken effect.

At the same time, a number of pan's export-oriented indus-ies, which suffered in two previis years from the sudden appre-tion of the yen, reported high fits. Having shifted manufacring overseas, these firms were w supplying the U.S. market as im factories in Asia's newly inintrializing countries, or NICs. But expert opinion is divided Sout the long-term implications these changes. Government ofrials say that the restructuring of Japanese economy as envined in a report by the former ank of Japan governor, Haruo Jackawa, in April 1986 is propanese trade surplus, which has own signs of shimking, will soon ase to be the source of diplomat-

however, warn that the economy is beginning to overheat and that recent action taken by the Bank of Japan points to official concern about inflation as a result of increasing commodity prices and excessive growth in money supply.

In the meantime, busine boom triggered by last year's supplementary budget is here to stay, at least for a while. This latter view is shared by a number of foreign

The Japanese economy is now the best performer of any in the OECD," said an economist at a Western embassy here. Perhaps the only major source of uncer-tainty is the outlook of the U.S. economy. "A downturn in the U.S. would mean a downturn not only for Japan but also for the NICs where Japanese industries have built factories to supply the U.S. market," the economist said.

According to figures released by the Economic Planning Agency for the fiscal year ending March 31, the GNP grew by 4.9 percent, far outpacing the 3.7 percent target set by the government last year. Planners had assumed that domestic demand would grow by 5 percent but that external demand would be minus 1.3 percent. Instead, personal spending and capital investment pushed up domestic demand while exports too, were somewhat less negative than had

The figures for the last quarter



Shoppers at the Akihabara electronics market.

of the fiscal year were nothing short of astounding as the Japathe economy may be performing a little too actively. The Bank of Japan is reported

nese economy recorded its faste growth rate in 10 years. The GNP to be worried about the rise of commodity prices, notably that of ethylene. A basic petrochemical grew by 2.7 percent between January and March from the preceding quarter, expanding at an annual rate of 11.3 percent. The last time raw material, ethylene was in over-supply until 1983 when the Minis-try of International Trade and Inthe Japanese economy came close to that rate was in the spring of 1978 when the GNP expanded by dustry stepped in, creating what is known as a "depression cartel." But as plants were mothballed.

11.7 percent on an annual basis.
Other figures released by the
Economic Planning Agency for
the 1987 fiscal year were no less prices went up. With the industry operating at 98 percent capacity, the Bank of Japan asked MITI to impressive. Personal spending was persuade refineries to increase 4 percent, capital investment by 10.1 percent, cannal investment by 10.1 percent, housing by 23.9 percent and public works by 10.8 percent. Housing grew by the highest rate in 24 years. Public output to bring down prices. The move appears to be a first step by the central bank to ward off inflation. David Gerstenhaber, works were the most active since an economist at Morgan Stanley's

But while front-page headlines proclaimed prosperity, the inside pages of Japan's financial press

few months by guiding interbank loans slightly higher." Mr. Gerstenhaber is among those who be-lieve that the bank is likely to raise the discount rate, sometime this autumn. The reason for the move is a reported concern at the central bank that, at 11.4 percent per year, the money supply is growing too

interest rates upward over the next

Although no one at the central nk will go on record about fears of inflation, the U.S. Council of Economic Advisers sent a message to the Economic Planning Agency in May warning that a sharp increase in the Japanese money supply might force the Bank of Japan tighten credit, resulting in a downturn in financial and foreign exchange markets.

While the consumer price index has remained stable for more than a year, the Economic Planning Agency does not include the cost

of land or housing when compiling consumer price index figures.

Although land prices have begun to come down in the past few

months, in at least one Tokyo ward land values went up more than 100 percent last year. Prime ster Noboru Takeshita has tried to offset spiraling urban land prices with a plan called "revitalization of home towns," which consists of the relocation of government offices to outlying dis-

The high cost of housing has popularized two expressions: "new rich" and "new poor." The former are those who have spent all their money on buying a house and cannot afford anything else, while the latter have given up buying property and are living well, Tokyo office, says he expects the Bank of Japan to "try to nudge taking trips abroad and purchas-

Last year, some 7.5 million Japanese went overseas - 10 percent more than the year before. Foreign luxury goods, especially high-priced cars such as BMWs and Jaguars, enjoyed unprecedented

But in spite of the visibility of such luxury imports, the Japanese trade surplus is far from being rectified. Short of a recession in the United States, it is unlikely that the Japanese trade surplus will decline appreciably in the foreseeable future.

But while excess liquidity, fears of inflation and an upsurge in ex-ports may cause headaches for government planners, Japanese inessmen are generally in a buoyant mood.

ANDREW HORVAT is The Ind . . pendent's Tokyo-based correspon-

## **Key to Trade Tensions:** Try Understanding Japan

Spraing Deficits in Langue 15 days

By Clyde V. Prestowitz Jr.

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all the conventional economic wisdom of the West, Japan should be worried. The dramatic fall of the dollar and the rise of the ven over the past three years were economic growth and drastically reduce its trade surplus.

During a recent trip to Tokyo, however, I found the Japanese more confident than I had ever seen them. Stimulation of the domestic economy has made it boom, and the age-old sense of vulnerability and dependence on imported raw materials and export markets has largely disap-

Indeed, the only concern 1 found was over a new surge in exports, which Japan's economists are predicting will result in a larger rather than a smaller trade surplus

#### COMMENTARY

and a renewed round of trade frictions. One prominent industrialist told me that his company has cut costs so that it can compete with the yen at 90 to the dollar, the rate to which he expects the dollar to fall over the next year or two.

This experience not only confirms the axiom that with regard to Japan the experts are always wrong, but raises obvious and pressing questions. If not the strong dollar, then what are the causes of the persistent U.S.-Japan trade deficit? Can it be managed down or are trade frictions destined to persist?

FAVORITE scapegoat is American managers. They are too short-term oriented and greedy and don't try hard enough, say the critics. No doubt there are some managers who could do better, but the argument would be more powerful if European or Asian managers were doing demonstrably better than the Americans in dealing

Such, however, is not the case, The apparent recent surge in European exports to Japan is largely matter of currency adjustment. In fact, one of the biggest topics in the European Community today is how to keep the Japanese out when 1992 puts an end to protection in Italy and France. To be thought in the United States to be an isolated trade dispute of no great significance beyond the in-

sure there has been a surge of exports from the Asian newly industrialized countries (NICs) to Japan, but that appears to have nothing to do with Asian management since the bulk of it is due to the decisious of Japanese companies to move certain component

production offshore. The fact is that the U.S. trade deficit with Japan is largely the result of the interplay of Japan's industrial policies and highly structured society with the relatively open and loosely organized American economy. In effect, in lieu of an American industrial or trade policy, Japan's policies and national proclivities have molded the U.S. economy so as to produce a structural deficit.

When the U.S. government sought to impose sanctions on Jaa last March for violating the U.S.-Japan agreement on semi-conductors, it made a startling discovery. The ideal imported product on which to place a retaliatory tariff is, of course, one which is in abundant supply domestically so that the sanction will hurt the forproducer without causing harm to domestic users of the product. The U.S. government found that in the case of Japan

there are very few such products. Such things as VCRs, ceramic ckages for semiconductors, lead frames, certain kinds of memory chips and a host of other products are simply no longer made in the United States. In the case of these kinds of items, rather than alleviating, the falling dollar actually exacerbates the trade deficit because it means paying twice as much for products that must be used and for which there are no

readily available substitutes. In the 1970s, the demise of the U.S. television industry in the face of a concerted effort by Japanese industry and government was

dustry. In fact, however, it paved the way for today's Japanese monopoly and enormous trade sur-plus in VCRs.

U.S. bade deficit with Japan

HESE structural develop ments cannot be easily reversed. Even if, theoretically, the weak dollar makes production in the United States less expensive, the requisite skills, parts supplies and process technology are not there. Thus, even a dramatic change in exchange rates has little effect in many areas.

Structural and societal differences also operate to retard penetration of the Japanese market despite the exchange rate fluctuations. In the United States, it is thought proper that business be done on the basis of the best offer, not the longest term relationship, Indeed, an immigrant society could not operate any other

In Japan, however, the major corporations, such as Toyota and Matsushita, work with a tightly knit network of suppliers and dealers that is hased on long-term loyalty cemented by cross share holding and personal relation-

Until Americans recognize the eat difference in Japanese and S, economic views and organization and deal with it pragmatically, they are doomed to continue to impoverish themselves in a vain attempt to correct the problem through ever more devaluation.

former trade negotiator in the Commerce Department, is a senior associate of the Carnegie Endowment for International Peace.

CLYDE V. PRESTOWITZ Jr., a

### Japan's Season of 'Initiatives'

Continued from page 7

friction that it has been for the

meture is the most immediate

ample of this.
But the success of Japan's curat drives to internationalize will nally depend on a fundamental nence, some analysts believe, al a stricter adherence to demo--ntic principles. But resistance to

is shows no sign of abating.

"Liberalization has a very spefic meaning for Japan," said kio Mikuni, a prominent Tokyo usiness consultant. "Once it

government of much of the power

apportionment of voting power in Japan, which does not currently reflect the enormous demographic shifts in recent years, as the nation's most sensitive political issue. The Liberal Democrats, as well the opposition parties, are already bracing for the massive po-litical swings that are likely to accompany such change when it

It is unlikely that the issue will omes - and it must, whether we .. be engaged for several years, most

want it or not - it will deprive the analysts predict. But while reapportionment is currently on no one's agenda, it may emerge as among the first significant reforms Many politicians now view the Japan faces that will not involve external pressure.

The Japanese have to come to their own realizations from now said Mr. Aichi, the Liberal Democratic legislator. "And we have to make greater efforts to reach our conclusions without out-

PATRICK L. SMITH is a correident for the International Herspondent for the International ald Tribune, based in Tokyo.



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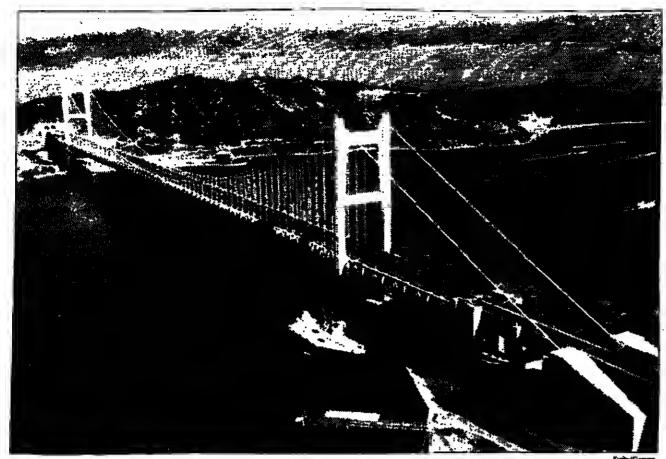


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The Seto Ohashi bridge linking the islands of Honshu and Shikoku.

### Support Varies for Fixed Links

By Andrew Horvat

OKYO - On April 10, Japan fulfilled a long-cherished dream. All four main islands of the Japanese archipelago were linked by land for the first time. Kyushn, the main island to the South has been joined to Honshu since before World War II. Shikoku, the smallest island, and Hokkaido to the north were linked in rapid

necession earlier this year. But whereas on Shikoku, officials spoke in breathless tones of the economic activity sure to be generated as a result of the new Seto Ohashi bridge, up north where the world's longest tunnel was opened to rail traffic less than a month earlier, celebrations were low-

key.
The 55-kilometer (34-mile) Seikan tunnel has been portrayed as a marvel of courage and engineering; it is also widely recognized as Japan's greatest financial disaster since the

No less impressive than the Seikan tunnel, the Seto Ohashi took \$9 billion, 10 years and 11 lives to build. In Shikoku, however, about the only criticism of the bridge is that trams passing on its lower tier are noisier than originally

For Shikoku, the land is destined to mean better distribution of local products to the nearby cities of Kobe and Osaka, and higher income from tourism. In spite of expensive tolls on the bridge's upper tier — about \$130 one-way for an 11-ton truck - strawberry shipments from Shikoku to Osaka are expected to jump fourfold from 90 tons to about 400 tons per year. A similar bonanza has been predicted for other Shikoku agricultural prod-

Moriya Ishikawa, manager of the Shikoku Economic Federation's research department reports that some 30 resort projects have been begun in anticipation of increased traffic from the Osaka-Kobe area. Cut off by sea, Shikoku has remained undeveloped in spite of its relative proximity to the major urban industrial centers of Western Japan. A centuries-old fes-tival featuring a "dance of fools," and an even older 88-stop Buddhist pilgrimage continue to attract large numbers of visitors from the

"Some people say that the tourism boom may not last long," said Mr. Moriya in a recent interview, "but I believe that increased traffic is bound to result in a general improvement of the economy." According to an estimate by the public corporation that built the bridge, Shikokn's gross domestic product could rise by as much as 2 percent in the next year.

Unlike at Seto Ohashi, where officials expect the bridge to pay for itself at some point in the future, no one connected with the Seikan tumnel likes to talk about return-on-investment at least not on the record.

One Finance Ministry official in Tokyo was overheard recently comparing the Seikan to the battleship Yamato. The largest ship of its kind when it was built for the Japanese imperi-al Navy, the Yamato was sunk in 1945 by American aircraft on the last of its very few

Just like a battleship built for an era of carrier-based aircraft, the Seikan is the best train-tunnel in the world at a time when most Japanese prefer to fly.

The original impetus for the massive project came in 1954 when a typhoon sank five ferries run by the Japan National Railways. More first day of its operation.

than 1,400 lives were lost. Construction began in 1964 on a pilot tunnel and work on the main mel started in 1971.

In the intervening 17 years, however, planes are proved to be more efficient and less costly in linking Hokkaido with Tokyo. The Tokyo-Sapporo run today constitutes the most heavily traveled air-route in the world.

Expected in 1956 to take 10 years and to cost the equivalent of \$110 million, the Seikan was completed in 24 years for just about 50 times that amount. When financing costs and other incidentals are added, the bill comes to about \$8.6 billion. Debt repayments and operating losses are estimated at \$79 million every year for the next 30 years.

Unlike at Seto Ohashi, where the economic benefits of the link-up are expected to be mmediate, Noriaki Matsuzawa, branch manager of the Hokkaido Railway Company, which manages the Seikan tunnel, talks of being able to transfer the lessons learned on the Seikan to future projects in other parts of

The tunnel is totally surrounded by water," said Mr. Matsuzawa pointing to a computer screen outlining four separate systems of pumps. Were it not for the pumps, the tunnel would fill up with water in 78 hours. Mr. Matsuzawa, an electronics specialist, proudly recalled that a delegation of engineers from the Channel Tunnel had been to see him.

Serving as a model for the Channel Tunnel and being able to apply engineering experience gained on the Seikan, perhaps at Gibraltar or across the the Bosphorus, is compensation for many people connected with a project that has gone deeper and deeper into debt from the very

### Nearing the Top as an Aid Donor

The idea that aid can boost the Western alliance is relatively new.

OKYO — When a Japanese government agency presented Bangkok's Thamassat University with a center of Japanese studies, professors were

Gratitude, however, soon turned to bewilderment when Japanese aid administrators in-sisted that every book in the new center's 200,000-volume library would have to come

from Japan.
"I tried to explain to the Japanese that for the time being what we needed most were books in English because that was the first foreign language of the majority of our stu-dents," said a Thai Japanologist.

The university and aid administrators even-

rually reached a compromise. Professors were allowed to purchase some English-language

However, all such books had to be bought through Japanese distributors, who would import them to Japan first before shipping them

to Thailand Although the above incident took place three years ago, it is illustrative of the difficulties the once-poor Japanese are having adjust-

ing to their new role as dispensers of some of the largest sums of aid money in the world. In the fiscal year beginning April 1, 1988, Japan is scheduled to overtake the United States as the largest single giver of official development assistance, or ODA. Japanese ODA is expected to total 1.35 trillion yen, or well above \$10 billion at present rates of exchange. This compares with \$8.8 billion ear-marked by the United States for aid distribu-

Partly to offset its image as a giver of "tied aid" — the kind that forces recipients to buy the products or services of the donor country - the Japanese government recently unveiled a \$500 million program of humanitarian aid to sub-Saharan Africa.

The package is intended to supply African governments with vehicles, medical equipment, and machinery to upgrade water and power supplies. To impress upon critics that Japan is turning a new leaf, the government has obtained the services of Britain's Crown Agents and the United Nations Development Program to act as its agents.



All the same, the sub-Saharan program is hardly representative of Japanese aid in general. As the Yomiuri Shimbun editorialized a few weeks ago, Japanese aid is "considerably inferior in quality compared with other donor nations." In spite of its volume in dollar terms, the grant element in Japan's ODA figure this year will come to about 47 percent, compared with 78 percent for France, 90 percent for the

United States, and 99 percent for Britain.

As a percentage of GNP, Japanese aid ranks
12th among 18 donor nations in the Organization for Economic Cooperation and Development. Japan, however, faces some serious hur-

dles in increasing its aid.

The idea that aid can work to solidify the Western alliance is relatively new in Japan. As a result, the export-promotion element of Jap-anese aid is still more evident than in the case of most other OECD countries.

Moreover, consensus on the priority ODA should receive in the national budget is yet to be reached. Thus aid is often given in assponse to outside pressure, rather than to goals estabished at home.

To begin with, Japan's aid program began as an extension of reparations payments after World War II. In those days, the primary concern of Japanese officials was to use aid to

nelp Japanese exporters. The influential Asahi Shimbun recently revealed that this attitude is still prevalent among bureaucrats. "For example," it said, "even though loans to lesser developed countries are designated as untied, the bidding is open only to companies from Japan and ficus of the recipient nation." As Japanese compa-nies are more competitive, they land such con-tracts "almost 100 percent of the time." In all fairness, however, Japan has been

given some mutually contradictory goals to aspire to by the United States. Whereas in September 1987 the U.S. Senate passed a resolution calling on Japan to raise its ODA to 3 percent of GNP—a tenfold increase—Washington vetoed an increase in the Japanese contribution to the World Bank, lest Japan become the number one donor and thus undermine American influence there.

Another problem for Japanese officials is that while Japan is seen abroad as having a and while Japan is seen account as having a hinge trade surplus, much of those excess funds are in private hands. That is one reason Finance Ministry officials gave their colleagues at the Foreign Ministry a rough time over aid increases demanded by the latter to make Japan-look good at the Foronto summit.

Ispanese diplomats were anxious to be able to parry criticism that Japan, a low defense-spender, was also paramonious in its ODA.

It had been the Foreign Ministry's hope to have Prime Minister Noboru Takeshita announce that Japan would increase its aid programs so that by 1992 Japan's ODA budget would reach 0.36 percent of GNP. At present, the figure is about 0.31 percent.

While the size of Japanese disbursements has grown, the number of officials familiar with the needs of recipient nations is still far below that of other countries.

The Japanese version of the U.S. Agency for International Development has 260 officials, of whom about a tenth are stationed overseas. This compares with 5,000 U.S. AID workers of whom one half are abroad.

**Andrew Horvat** 

### U.S. Seeks Bond Market Access

By Paul Maidment

OKYO — Opening up the primary market for Japanese government bonds has moved to the top of the American government's list of markets for which it wants better access for foreign securities houses and banks.

Unlike the United States, which uses an auction system, the Japa- ance companies and securities

on syndication to sell its new debt. which totaled 11.3 trillion yen (\$904 billion) in fiscal 1987. Until 1984, foreigners were shut out of the underwriting syndicates. Even now, they complain that they have barely got a foot in the door.

The syndicates, whose membership varies slightly for long- and medium-term bonds, are composed of nearly 800 banks, insur-

nese government has relied mostly houses. Each member's pre-arranged share of the allocation for each issue is determined by the

syndicate itself, But, with each category of fi-nancial institution being allocated an overall share which is then divided up internally by its own lights, that gives the big Japanese banks and securities houses considerable sway. In return, for this near-monopo-

ly and a fixed underwriting commission of 0.063 percent, the Japanese firms that dominate the syndicate have been accommodating to the government over terms and conditions for new issues. Membership of the syndicate has been taken to imply acceptance of supporting new issues in good times and bad. Foreigners, it was suspected, could not be relied upon to behave so patriotically.

Foreign pressure and the Japa-nese government's own need since the mid-1980s for expanded placing power as it was faced with refinancing the 10-year bonds it had issued to cover its large bud-get deficits following the first oil shock in 1972-73, is but slowly changing this cozy situation. It was only in 1984 that the first 15 foreigners were allowed into the underwriting syndicates in a small way for short-term bonds.

Their numbers have grown but their role is not much bigger. There are now 30 foreign securities houses in the syndicates. In March 1987, their share of the allocation for the high-volume, long-term bonds was increased, but only to 6.28 percent of the 26.2 percent allocation of the total issue reserved for securities compa-

Salomon Brothers' allotment which is the largest, was raised to 1 percent from 0.7 percent. Those of First Boston, Goldman Sachs, Jar-First Boston, Goldman Sachs, Jardine Fleming, Merrill Lynch, Morgan Stanley and S.G. Warburg were raised to 0.5 percent. Smith Barney and Vickers got 0.3 percent. Two newcomers, Crédit Lyonnais and J.P. Morgan, were allocated just 0.069 percent.

Foreign houses considered this tokenism and sought a switch to an auction system, which the Japa-nese government has used since 1980 for only the small issues of two-year to four-year bonds. After complaints about the un-

Japanese counterparts on finan-cial services, the Ministry of Fi-nance agreed to sell more bonds by auction.

AST September, 20-year government bonds were offered for auction for the first time. The following month, 20 percent of an issue of the most common maturity of government debt, 10-year bonds, was also put up for auction. Of the total of 11.3 million yen in new government bond is-sues for fiscal 1987, 8.8 trillion yen were 10-year bonds and 2 trillion yen were 20-year bonds.

The auctions were less of an auction than they seemed and than the 10-year bonds were not determined by competitive bid but negotiated between the government and the underwriting syndicate, which distributed the remaining 80 percent of the issue in the usual

For the auctioned 20 percent, qualified banks and securities houses could bid only for quantity. A limit was imposed of a maximum of I percent of the total issue each, with pro-rata allocation in the case of oversubscription.

Now, foreign firms take just over 5 percent of the auctioned part of 10-year issues, according to a report given in May to a parliamentary committee by Kazumoto Adachi, director-general of the fi-nance bureau at the Ministry of Finance. Adding in their syndica-tion allocation, this gives foreign firms about 2.5 percent of the total amount of a 10-year issue.

This has left the foreign houses still dissatisfied. Again, in April, U.S. Treasury officials took up the issue at the bilateral talks on financial services. The Japanese stalled, asking for evidence that foreign firms were not able to buy the volume of bonds they wanted This has yet to be furnished by

the Americans. However, a provision in the now-vetoed U.S. conni-bus trade bill has had more imme-diate effect. It would have let the U.S. monetary authorities revoke the primary dealer status of for-eign financial institutions from countries that did not open their markets to U.S. firms.

David Mulford, assistant secretary for international affairs at the U.S. Treasury, made it clear that this was aimed at opening up the primary government bond market.

Japanese officials say that they may increase the auctioned share of each 10-issue from 20 percent to 30 percent and make further increases in the share of foreign firms in the underwriting syndi-cate perhaps doubling their share. Individual houses' allocations would be determined by how well they perform in the Japanese mar-

Finding the extra share for the foreign firms would be done by decreasing the share of the big Japanese securities houses. They would prefer to give up a little at home, rather than risk being cut out of the auctions for long-term fairness of the syndication system U.S. Treasury bonds, at which from U.S. Treasury officials at the annual bilateral meeting with their for as much as 40 percent of each

But even this is unlikely to satis-fy foreign firms. They want a full auction of 10-year bonds to be introduced. They are taking the issue as a test case of Japan's willingness to dismantle the syndication system, which they feel discriminates against them not only for issues of government bonds but also for those of straight corporate bonds, convertible bonds and bonds with warrants.

With convertible bonds, for example, there has been an arbitrary practice that says that when one of the big four Japanese securities houses - Nomura, Daiwa, Nikko and Yamaichi — lead manages a convertible bond issue, the other the Americans had expected. The three are each to be given at least? coupon rate and issuing price of percent of the issue to underwrite,

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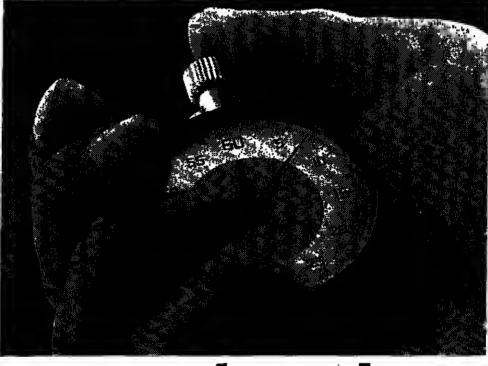
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### Surplus Spills Over Into U.S.

EW YORK - Nashville, Tennessee, and Tokyo may have little in common at first glance, but as Japan steadily invests more of its \$83 billion current-account surplus in the United States, sushi bars have become as pervasive as the sound of country music in some Nashville

neighborhoods.

That is because Tennessee is home to about 60 Japanese companies, including Nissan, To-shiba and Kamatzu, and one of many centers of the culture evolving out of daily relations between relocated Japanese managers and American labor. So much so that Kodansha, the largest Japanese publisher, recently distrib-uted a book called "Friends" chronicling Ja-

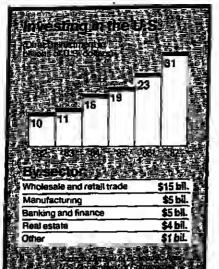
"We thought it would be of interest to an American andience," said Anne Cheng, a mar-keting associate at Kodansha's New York headquarters. "Our goal is to introduce the East to the West and vice versa."

So far, however, the book is only available in English, a wise move on Kodansha's part, given the growing momentum for Japanese investment in the United States. The Japanese appetite for U.S. assets is reaching new levels, fueled by the high value of the yen in relation to the dollar as well as the huge current-account surplus and a shortage of domestic

And that is producing worries in the United States, where both policy makers and voters are evaluating the impact of the soaring volume of foreign ownership of U.S. assets.

"The Japanese in some ways have stirred up

less political resistance on Capitol Hill than other foreign investors because they have no taste for hostile takeovers," said Robert McCauley, a senior economist for the Joint Economic Committee of Congress. "But there are concerns that the Japanese are coming in, building businesses and taking jobs from peo-ple who would have otherwise been working



In Tennessee, for example, Japanese operations have created 10,000 jobs. "But you have to take into account the displacement effect," said William Boozer, a director of communications at Tennessee's state Office of Economic Development. "Yes, we've got new Japanese auto operations, but we've seen U.S. companies close their doors

the United States is now worth \$30 billion, nearly triple the level five years ago. But for-eign capital is not flowing as freely to Japan. And that makes some policy makers uncom-fortable, since the level of Japanese investment in the United States has been growing at a quicker pace than rivals in Britain and the

Britain remains the biggest investor in the United States, with \$70 billion in cumulative holdings, while the Netherlands ranks second,

According to Clyde V. Prestowitz Jr., a former trade negotiator in the Commerce Department and now a senior associate with the Carnegie Endowment for International Peace, the Japanese tend to carefully orchestrate their investments abroad with the government, because of the unique structure of Japanese in-dustry that combines huge industrial firms in close alliances with major banks.

That alliance also gives acquisitive-minded Japanese companies immensely deep pockets, allowing them to pay unseemly high prices for U.S. assets. Moreover, a strong yen allows a great currency advantage against the dollar or other European currencie

That is one reason why Bridgestone Corp., the Japanese tire maker, best out Italy's Pirelli S.P.A. this year in its \$2.6 billion buyout of Firestone Tire & Rubber Co., a bid many investment bankers considered more a show of financial muscle than savvy.

"The Japanese are rarely opportunistic buyers, said James A. Martens, a managing director at Peers & Co., a New York-based merchant bank specializing in Japanese-U.S transactions. "They set strategic goals and make acquisitions to fit those goals."

Last year, the Japanese bought or built businesses worth \$7 billion, including a \$2 billion acquisition of CBS Records by Sony. Japanese investors also own stakes in U.S. financial institutions, such as Bank America, Shearson Lehman Bros. and Paine Webber.

However, P.J. Johnson, a vice president at Nomura Securities in New York, said, "The Japanese are here to build, not buy into this business." Since Nomura is the world's largest financial institution, with \$27.8 billion in assets, there is always speculation of its hunger

The Japanese, however, have invested more in wholesale trade operations in the United States, followed by manufacturing and real estate, than banking and financial institutions

over the last five years.

While Japanese holdings in U.S. stocks, bonds and treasury securities are estimated at

Nissan worker at a plant in Tennessee.

\$94 billion, Japan's major institutional buyers lost over \$10 billion in two years as the yen rose

and bond prices fell. One big area attracting more Japanese investors than before is real estate, where demand has raised prices by 10 percent or more, bankers say. Japanese own urban landmarks like the Arco Plaza in Los Angeles and the Citicorp building and Chase Manhartan Center in New York, as well as virtually all of Waikiki Beach and a number of California vineyards.

Last year, the Japanese invested in U.S. projects worth \$14 billion, according to Salo-

mon Brothers, while their total U.S. real estate to the U.S. dependence on foreign capital holdings are worth \$2.5 trillion. That may seem like a tremendous number

but its less than I percent of the value of total commercial real estate in the U.S.," said David Shulman, the director of real estate research at Salomon's New York headquarters.

Congress is currently re-evaluating the presi-dent's veto of the trade package, which in-cludes an amendment calling for greater dis-closure requirements for foreign buyers of U.S.

And financiers, such as Felix Robatyn, a LINDA EESLAR is a financial journalist pertner at Lazard Frères, are calling attention



flows. American companies, he said, are at a disadvantage when bidding against foreign buyers in the United States for tax and ac-"Many governments all over the world have

policies where, at the very least, domestic com-panies are on equal footing with foreign bid-ders," he said: "That's definitely not the case here. And it's time to level the playing field."

## Yen's Strength Against Key Currencies Spurs Buying Spree Abroad

By Marybeth Nibley

ONDON - From championship golf courses in Scotland to luxury highrises in Hawaii, the Japanese wielding a mighty yen have displayed a penchant for making foreign purchases. Their acquisitive instincts have been spurred by government-sponsored inducements to spend some of their vast savings stowed away during the four decades since Japan was an

impoverished, war-tom economy. The yen's rise against key currencies has enhanced the attractiveness of overseas invest-ments, particularly dollar-denominated ones. And Japan's overseas investments, whether in real estate, factories, stocks or art, are being

Take the art world. A sharp escalation in prices paid at auction for paintings in recent

years has been linked to keen Japanese interest. A boom in art buying by the Japanese began around mid-1986 when dollar-based

auction prices began to look cheap,
In real estate, aggressive buying by Japanese
corporations and entrepreneurs has provoked
protectionist, even xenophobic, attitudes in some places. In the United States, real estate agents say, the Japanese have helped push commercial and residential property prices to unprecedented levels in some areas.

In Hawaii, the mayor of Honolulu, Frank F. Fasi, proposed legislation aimed at preventing Japanese investors from driving up land values and pricing local parties out of the market.

The reason for all the attention targeted on the Japanese is simple. For years, Western economists have been saying that Japan would become the powerhouse of the industrialized world. Now that in some respects it appears to have assumed this role - it has the world's

second largest gross national product after the what it will do next.

The Japanese seem to have their economic act together better than anyone else," observed Paul Chertkow, director of economics at Security Parific Hoare Govett in London.

NE indication of this is the resilience of Japan's export sector to the appreciation of the yen. Export-orient ed industries have been able to adjust to an exchange rate that, according to conventional thinking a few years ago, was expected to destroy their international compet-

Japanese manufacturers have coped with the yen's rise from 240 yen to the dollar in 1985 to

about 125 yen recently.

The process has not been painless. It has

necessitated restructuring or the "hollowization" of Japan's industrial base.

The adjustment was made possible by good industrial relations and flexible working practices. Profits were squeezed, opportunities for using cheaper imported raw materials and components were exploited and production was moved elsewhere to take advantage of lower cost labor.

Latest figures show a growth in Japan's exports of merchandise despite a narrowing of the country's trade surplus over the past 13 months. Some of the export growth can be explained as a short-term phenomenon, involving Japanese companies shipping out machin-

ing Japanese companies shipping out machin-cry for their own new plants abroad and U.S. companies importing Japanese capital goods as they rebuild capacity.

But the rest of the growth may reflect a renewed trend of rising Japanese exports, economists say. Shipments of Japanese exports, grew 10.2 percent in May from a year earlier to \$20.5 billion, while imports rose 26.7 percent to \$15.45 billion, according to recent govern-

Meanwhile, many economists are predicting that the yen will strengthen against the dollar and the West German mark in the near future. after about six months of relative stability, as Japan's economic activity outpaces that of its

major trading partners. Projections call for one dollar to fetch from 110 to 115 yen in the next three to six months. Brokerage James Capel & Company recently predicted that the yen will rise next year, aver-

aging about 105 yea to the dollar.

Currency analysts who sometimes talk about exchange rates having "psychological barriers" that would be difficult for various currencies to break have been refuctant to assign such a level

to the dollar-yen relationship.

David Osman, an economist at James Capel, said that a sustainable dollar-yen rate is unlikely for some time and probably not before the

ollar hits 100 yen.

Against the Dentsche mark, the yea will post a much smaller advance, rising to about 70 year to the mark from a recent level of 72 to 73 year. Although a higher yen will hurt Japanese exporters, it will increase the incentives for

capital-rich Japan to send its money offshore.
The rate at which Japanese multinational corporations have been adding to their foreign direct investments has increased rapidly, triggered by a fear of protectionism. The Japanese reasoned that they could silence some complaints about their massive trade surpluses by erting up foreign operations, thus creating

jobs for foreigners.
In a paper published by the Royal Institute of International Affairs, Stephen Thomsen argued that Japan could become the biggest direct investor by the year 2000, replacing the

"This means that as its trade surplus shrinks, Japan will have a rising stream of investment

come," Mr. Thomsen said. Although some investing is done to circum-vent protectionism, there is abundant evidence that Japanese companies are making long-term commitments. The evidence will probably

grow quickly in Europe as the Japanese pre-

pare for the consolidation of the European Community in 1992

"The Japanese will be very quick to seize on 1992 and make the most of it," said Brian Bridges, head of the Royal Institute of Interna-tional Affair's East Asia program. "It's clear that that the Japanese are sitting down and thinking about what 1992 means for them in a way that many British companies are not.".

One thing economists find interesting in contemplating Japan's more distant future is the demographic changes projected for the

The aging of its population is occurring at a rapid rate while population growth is slowing. The ratio of people aged 65 or over to the whole population rose to 10 percent in 1985 from 7 percent in just 15 years. (In the United States, a comparable redistribution took twice as long according to Japanese government statistics.) The proportion is expected to reach nearly one-quarter by 2043.

Economists wonder whether these changes will effect savings patterns as the country plans for a time when fewer wage earners will live

However, it would be foolish to think that: Japan could have a savings shortage. Analysts stimate that the pool of Japanese savings is bigger than that for all of Western Europe.

MARYBETH NIBLEY is a financial journal

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# Banks Are Facing Transformation as They Cope With Deregulation

By Paul Maidment

OKYO — Japan's city banks — its 13 national commercial banks — found it easy to grow big and fat. Becoming lean and mean is harder going.

By sasets, the top five of the world's biggest are city banks: Dai-Ichi Kangyo Bank, th assets of \$266.9 billion at the end of th assets of \$200.5 tunion at the dist of inch; Sumitomo Bank, with \$250.6 billion; if Bank, \$244.1 billion; Mitsubishi Bank, \$215 billion, and Sanwa Bank, \$218.5 billion. Two other banks, the farm cooperatives at, Norinchnkin, eighth at \$184.9 billion, if the Industrial Bank of Japan, 10th at \$177 tion, which lends long-term to industry, see the top 10 of the world's banking giants. But in terms of profitability, Japanese banks world midgets. Their returns on assets, at a percent to 0.7 percent, is way below that of y of their international rivals, except per-

n those assets into profits n more awars after World War II, they had no ad to. Japan's highly regulated and compart-entalized financial system channeled cheaply a large savings of individuals into the banks be lossed on to rebuild capital-starved instry. With lots of chesp deposits to lend,

os French banks. Now, they are trying to

Japanese banks became masters of the low

margin, high-volume corporate loan.

When Japan became the world's biggest capital exporter in the 1980s, its banks' steady international expansion, on the back of the country's postwar economic success as an ex-porter, turned into an explosion. The boom in the yen against the dollar since 1985 has made their assets reverberate even more. These have increased by 80 percent since 1983 in yea terms but by 200 percent in devalued dollar terms.

Most of the world still looks at itself in dollar terms, so foreign accusations that Japanese banks were dumping financial services at a loss and making cut-rate loans have become louder. Demands that Japanese banks comply with more demanding capital adequacy ratios to choke back the growth in their international lending was one consequence.

To comply with the Bank of International Settlement's proposed new capital-adequacy ratios, the Ministry of Finance has told Japanese banks to raise their net worth to 4 percent of assets by 1990 from around 3 percent now, and to 6 percent on a secondary measure under which banks can count 70 percent of the unrealized gains on their considerable securities

portfolios as capital.

Under the BIS guidelines, they will have to meet a capital requirement of 8 percent of risk-

The Japanese banks are turning their attention to profitability and away from growth for growth's sake.

adjusted assets by 1992, for which they will only be able to count 45 percent of unrealized

Japanese banks should get there quickly. They have already started raising the necessary new capital and shifting assets off their balance sheets. But complying with the BIS guidelines is just one reason that the Japanese banks are turning their attention to profitability and away from growth for growth's sake.

Deregulation of their home market means the banks can no longer count on a ready supply of cheap deposits. Interest-rate ceilings are being phased out and the competition for reconal savings from securities houses and urance companies is intensifying.

The abolition of the marsyu system of tax breaks for small savers' deposits this spring hit

the banks particularly hard. Around 28 percent of the banks' funds came from market-rate deposits in 1987, against only 9 percent in 1980. Within a couple of years, it is likely that all deposit interest rates will be deregulated.

This is pushing up the cost of funds. At the

same time, Japanese banks have found what they can charge for loans falling as interest rates have fallen worldwide and have been deliberately pushed down further in Japan in the cause of macroeconomic international co-

In the financial year to March, for 11 out of the 13 city banks, the average cost of their deposits was higher than the interest rates at which they could lend the funds, according to a study by Han Ong of S.G. Warburg Securities. Mitsubishi Bank and Kyowa were the only two

At the same time, the banks have had to

scramble for new customers because their long-standing big corporate borrowers have deserted them for the equity markets, especially the Euromarkets. This has meant that the banks are searching for unfamiliar and riskier customers among small firms, individuals and property developers at home and Third World countries abroad.

They have had some success. The proportion of their loans to small businesses has been rising steadily. For Sanwa, Mitsubishi and Sumitomo, loans to small businesses now account for two-thirds of their loan portfolios.

Consumer lending, too, has mushroomed, due to Japan's buoyant domestic demand. The city banks' outstanding lending for individuals' installment repayments has risen from 595.1 billion yen (\$4.76 billion) in the first quarter of 1986 to 1.96 trillion yen in the first quarter of this year; for housing, the value of oans outstanding rose from 8.52 trillion yen to 14.08 trillion yen over the same period.

Lending to the property industry rose from 17 trillion yen in January 1986 to 27 trillion yen by July 1987. It has now leveled off in response

he could spot with positive spreads between their average deposit and loan interest rates. cause it was fueling Tokyo's speculative land boom. However, the reported level of loans to property companies, which account for 10 percent of the banks outstanding loans, under-states the true level of lending to the property sector by perhaps as much as half.

The new customers that the banks are courting are potentially more profitable but also worse credit risks than their old industrial clients. These blue chip firms, along with the Japanese banks' relatively restrained lending to the Third World, were a main reason that Japanese banks have had such a low proportion of nonperforming loans compared to their

U.S. and European counterparts. Coping with market deregulation is harder than coping with interest-rate deregulation. Extraneous influences can more easily disrupt these new markets. Operating in them require a different sort of management to that which has helped Japanese banks grow big. It needs to be more accommodating to risk.

How well the banks manage the transformation will hold the key to how trim and competitive they become.

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lowntown Tokyo, where land prices are at a premium.

# Foreign Brokers Prepare for Rough Times

By Andrew Horvat

OKYO - In other countries, the induction of a new member into a stock exchange is done with the casualness of a handshake. Not so in Japan. The open-ing on May 22 of the Tokyo Stock Exchange to 16 foreign brokerages last month was accompanied by the presentation of badges and certificates and the clapping of bundreds of hands in unison 20 times - to clear the air of evil

Perhaps the festivities were in order. After all, the foreign firms had just spent the equivalent of \$13.5 million each in fees and incidentals, an amount nearly 30 times the cost of a seat on most American and Enropean ex-

The induction ceremony also climaxed years of pressure by Western governments on the Japanese Finance Ministry to open probably the most thoroughly closed major securities market in. the world.

Hardly a month ago, when Japan accounted for more than 40 percent of the value of stocks traded in the world, a mere six foreign firms were permitted to trade on the Tokyo Stock Exchange floor. In March last year, the British government threatened to retaliate against Japanese financial houses in London unless the Tokyo exchange was opened to more for-

And yet, even before last month's ceremony, me brokers knew that the 16 foreign firms were headed for difficult times. With the exception of their first trading day when newcomers are traditionally given plum deals, the total turnover of all 22 foreign brokerages has come to less than 3 percent of trading on the Tokyo exchange. Of those 22, 16 account for less than I percent of the exchange's daily trade.

As an analyst working for an American house said, "I suspect that a lot of the foreigners are trading on their own account so their real trading is even less" than the percentages cited above.

With the exception of Salomon Brothers, which hired a large and eggressive staff before obtaining its seat last month, few forcign brokerages have been able to gain

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tional investors.

But despite the anticlimax, two British houses, James Capel and Barclays de Zoett Wedd, are still lobbying for seats ou the exchange and their absence from last month's list of successful entrants constitutes a diplomatic irritant in British-Japanese relations.

Although threats of retaliation

are no longer heard, Lord Young, Britain's trade secretary, made a point of telling his Japanese hosts during a visit earlier this year that he was "disturbed it has taken such a long time for British firms to get seats here when we've welcomed foreign houses into the

Ken Lucas, director general of James Capel Pacific, said that his company's volumes "justify a seat on the exchange." According to Mr. Lucas, among foreign brokerages given seats last month many had far less volume than his com-

Officers of the two firms passed over last month have argued that their exclusion was based on a bureaucratic formula that allowed the Tokyo exchange to admit six U.S. and four British firms along with two each from West Germany, France and Switzerland.

Undannted by their failure to get seats, both Capel and BZW are expanding their Tokyo staff, as are

firms here.

According to a Japanese business journal, in the past seven years, hirings by foreign securities companies in Tokyo went from 400 to 3,500. In spite of salaries and benefits that go as high as \$250,000 per employee, the jour-nal predicted that another 1,500 persons would find employment at Tokyo branches of foreign firms in the next four years.

For an industry that prides itself in hard figures, companies have laid out huge sums to locate in the world's most expensive city for what are basically intangible reasons. No employee of a foreign brokerage interviewed said his firm was looking for immediate return on its \$13.5 million.

As one analyst employed by a British firm that gained member-ship last month said: "Being on the TSE is like getting your bona fides." According to the analyst, membership makes it easier to gain entry into the offices of Japanese find managers, and, in a country where graduates of clite universities are reluctant to seek employment with all but a few foreign companies, a seat on the exchange translates into an ability to attract competent staff.

But not all the benefits are abstract. Ed Merner, director of

Schroder Investment Management Japan, suggested that there is a niche that the foreign broker-

Traders at the Tokyo Bourse.

"The smaller Japanese institu-tions have welcomed the foreign brokerages because the newcomers pay attention to them," he

In Tokyo, where four big Japanese houses wield tremendous influence on the market, smaller Japanese institutions have little clout. Although analysts predict that a number of foreign broker-ages on the Tokyo exchange might not last out a long bear market, Mr. Merner stressed that the future for such firms is not necessarily bleak. Japanese institutions, including, perhaps, banks, will no doubt be willing to pay huge sums for a company with a seat on the Tokyo exchange.

### Trust Banks Boost Profits

By Darryl Gibson

OKYO — Land trusts are becoming one of the most attractive new investments in Japan for ad-rich owners who lack the nds or expertise to develop their The trusts, in which one of the

en Japanese trust banks takes er title to a property, arrange aucing, hire architects, contract alders, find tenants and manage The basis of the trusts hes m

banese land prices, and these are admitted high.

in Tokyo -- and most of the rest the country - a square meter of ad can be worth hundreds of ousands of dollars, but selling e asset, unless the proceeds are vested in new land within a year, bjects the owner to bigh taxes at reduce the final value of the set. Hence, the land trusts.

Because the value of even the ost modern office building is unrely to be worth more than 20 reent of the land value, the trust mks are willing to take the land trust for a fee - generally 10 rount of gross rents - and look ter all development, construca and management from that

20 years, expires and the assets revert to the trustor or beneficiary. The banks also arrange financing in most cases, another longterm earner for the banks, and end up with their own profit as well as returning income to the trustor or beneficiary, usually within two

years of the trust's inception. Chiai Tanuma of the land trust department of Mitsui Trust and Banking said the bank handled more than \$200 million in land trust construction alone last year.

Because the landowner does not have to refinduish utur ship of the asset, the market is growing by leaps and bounds, and small companies and individuals who lack the liquidity to improve their holdings on their own are embracing land trusts with alacri-

ty, Mr. Tanoma said. Although the inflation in land prices in Tokyo has eased for the moment, other parts of the country are still appreciating and land trusts are moving beyond the capital region into the outskirts as

A recent land trust in less-developed Kyushu incorporated a hot spring into a new development, breaking yet more new ground for the fledging land trust industry. Technically, the business is not limited to the seven Japanese trust

ing, Mitsubishi Trust and Banking, Sumitomo Trust and Banking, Yasuda Trust and Banking, Toyo Trust and Banking, Chuo Trust and Banking and Nippon Trust and Banking, But Mr. Tanoma said foreign trust banks lack expertise in Japanese trust and real estate ventures, severely limiting

There is no legal bar to foreign trust banks cutering the land trust isiness in Japan. But the same lack of expertise

that keeps foreigners out of the se land trust busi cludes the Japanese trust banks going offshore with their product. "We don't have the knowledge of foreign real estate that we would need, but more important-

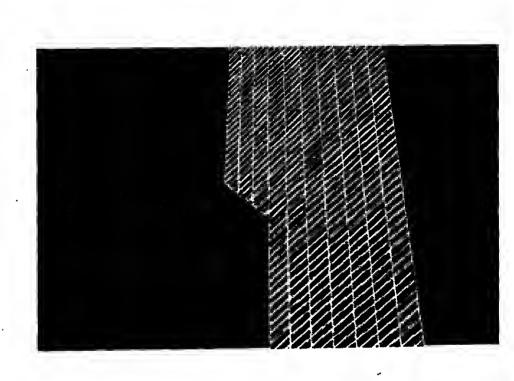
ly, foreign land is often worth

much less than the building on it,

so the basic underlying value inland we have in Japan is not available abroad," he added. But in Japan, where land in central Tokyo is worth astronomical sums, forming land trusts is be-coming a viable way for individuals, small companies and even public entities who hold tracts of

DARRYL GIBSON reports for The Canadian Press from Tokyo. banks - Mitsui Trust and Bank-

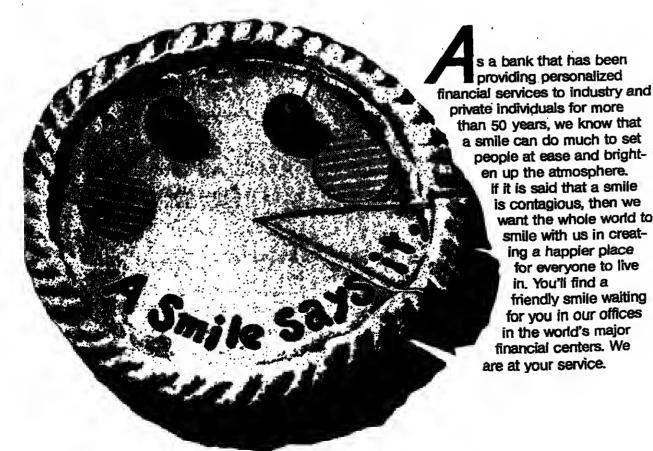
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mere decade ago, Tokyo's Byzantine business world baffled international visitors. The learning process usually involved several trips and privileged access to the foreign grapevine just to master the basics such as what -or what not -- to do and where to stay.

Tokyo has come a long way since then. Thanks to the strong yen and Japan's increasing internacionalization, a plethora of information has become available. Where to Stary

Tokyo's central business districts are well-served by the Imperial, Hotel Okura, the Tokyu Capitol Hotel (formerly the Tokyo Hilton), the New Otani, the Aleasaka Prince and the Palace Horel. The new Tokyo Hilton, Keio Plaza and Century Hyart are preferred by visitors with business in the oty's growing Shin-juku section. And for business travelers' families, the Sheraton Grande Toleyo Bay Hotel and the Tokyo Bay Hilton International, which opens in July, are close to the attractions of Tokyo's own Disneyland.

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As part of its centenary celebration, the horel plans to exhibit Imperial memorabilia, Former guests who can contribute to this exhibition are asked to contact Missumasa Endo, PR Manager, Imperial Horel, 1-1 Uchissiwaicho 1-chome, Chivoda ku, Tokyo 100. Telephone: (03)504-1111. Pax: (03) 504-1474.

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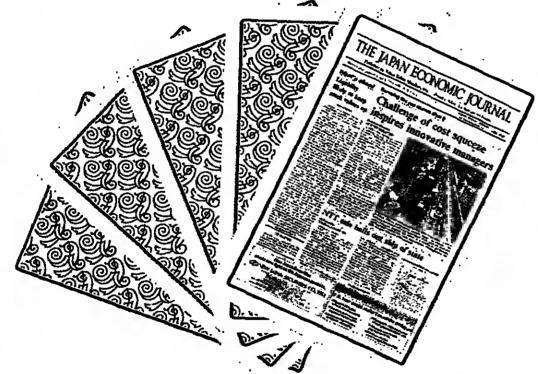
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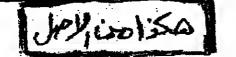
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### bbling Dollar's Effects to Reach Euromarket

By CARL CEWIRTZ

Is it a speculative bubble, or has the dollar definitively turned around? The exuberance in the forgn exchange market last week - pushing the dollar beyond 130 yen and 1.80 Dentsche marks, critical points chartists - seemed to leave little doubt that a page in the itory of the U.S. currency had been turned.

And yet, for economists who talk about economic fundamen-s that have not changed, the action in the foreign exchange eket had all the earmarks of a classic bubble. Last week, there was a rush into the U.S. currency, apparently

rinning with investors turning away from the mark and into

h-yielding currencies. The nred by the unwinding of ige positions by Japanese

The dollar buying last week atributed to a quarter-point sine in long-term U.S. in-est rates, leaving the Trea-y's 30-year bond yielding 4 percent, compared with

developments in foreign exchange are quite welcome.

For the United

States, the

4 percent a week earlier. Rate declines, although more modest, re also registered in the shortest maturities of three, six and 12 in the despite the continued firming in the cost of overnight ency directly controlled by the Federal Reserve system.

The Eurobond market was largely a bystander as all the action is in the New York bond market, whose enormous liquidity irres purchasers of a ready ability to unload their holdings if

he spillover to the dollar Eurobond market will come as asset nagers realize the dollar's strength may indeed be a bubble but that is unlikely to burst before the November election wided, of course, there are no nasty surprises before then.

t speculative bubble is defined as a sharp upward price vement that generates widely held expectations that a price continue to rise, at least in the short run. This triggers a self-Filing process of continuous and possibly accelerating overnation until some small shock causes a collapse.

the dollar bubble seems to have begun in West Germany, ere the U.S. currency has been strengthening against the mark encountering only token resistance from the Germans and sfactioo from the Americans.

HE NOTABLE aspect of the German experience is that while the dollar has been strong against the mark, it has been weak against the currencies of countries in which rest rates are high, such as the British pound and the Austra-

ince the dollar is the transaction currency for foreign exnge trading, German investors — and others who borrow lowt marks to invest in higher-yielding assets - need to sell marks - my dollars, lowering the foreign exchange value of the mark l pushing up the dollar. The dollars are then sold to buy the rired currencies, weakening the dollar against them.

This is a relatively safe maneuver since the agreement among Group of Seven industrial democracies to stabilize currency s gives comfort that the dollar will not be allowed to fall inst the key currencies,

That makes a winning circuit: The Australian dollar apprecis against the U.S. dollar, giving an investor who plans to
wind the transaction more U.S. dollars with which to return to rks, which have depreciated against the dollar, producing a ster number of marks than had been spent to initiate the estment. There is no incentive to actually unwind such a ition because it it is so profitable and thus there is every on for the outflow from West Germany to continue.

- Hany analysts said this is the root of the strength of the dollar anst the mark. And as the recovery has not been thwarted, the ranese last week decided the dollar looked like a safe bet. .. ; it the end of May, Japanese investors held an estimated \$100

on in U.S. bonds. Because of the dollar's weakness against the a very large part of those investments has been hedged to to the dollar area have also taken out the same kind of "mance, usually hedging the expected income from four

this worth of exports — equal to about \$50 billion.

thus, a positive change of view about the dollar's future from a small number of these hedgers can result in the unwinding ostions—repurchases of dollars sold in the forward market

hat have tremendous impact on the exchange rate.

Even if a large number of Japanese are still cautious on the ook for the dollar, since so much has been hedged removing t a small part of the cover can put substantial upward

**Currency Rates** 

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See BONDS, Page 17

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### For Mitsubishi Heavy, an Arms Bonanza in Japan

TOKYO - Stocks of missiles, tanks, jet fighters and other weapons in Japan's military arse-nal are growing faster than at any time since World War II, benefiting no company more than Mit-subishi Heavy Industries Ltd., official figures show.

The company is the leading lapanese weapons manufacturer. "From now, we plan to in-crease the size of this division to one-third or at least one-quarter of the whole company," said Ta-kaaki Yamada, general manager of Mitsubishi's weapons division. Mr. Yamada did not say when

the planned expansion of his sec-tion would be completed. Last year, his unit accounted for 18.3 percent of company sales, up from about 6 percent in 1974. Sales by Mitsubishi's aircraft and special vehicle division, the

formal name of Mr. Yamada's section, rose 14.9 percent to 311 billion yen (\$2.41 billion) in the year ended March 31, 1988, from a year earlier. Analysts said about 80 percent of that was from sales of military hardware.

The United States has demanded Japan expand its mili-tary capability to relieve Wash-ington of some of the financial

burden of defending the country. Mr. Yamada said such calls were natural, especially because American warships patrolling the Gulf were likely to increase the U.S. defense bill. Japan's total spending nn

apons in the year ended March 31 rose nearly 7 percent from the year before to about 1.23 trillion yen, Defense Agency figures Mr. Yamada's most pressing

weapons concern is a joint U.S.-Japanese project to design and build a new jet fighter, code-named FSX, by 1993. He said Mitsubishi hopes to win contracts for 60 to 70 percent of

the FSX work awarded to Japan. A government spokesman said after talks in early June with U.S. Defense Secretary Frank C. Carlucci 3d that Japanese companies would be in charge of about 60

percent of the project.

Mr. Yamada said Japan's Defense Agency would buy 130 of the fighter jets for about 5 billion yen each. It would cost 160 billion yen to develop the FSX, which is to be in production from

1993 to 1999, he added. Japan has the technological skill to build a fighter similar to



T-74 tanks, made by Mitsubishi, on display at an annual military parade.

the FSX. But because the FSX is plane designed by General Dy-namics Corp. of the United States, Japan needs American help, Mr. Yamada said.

However, in technology aimed at providing a space-based missile defense system, officially known as the Strategic Defense Initiative and popularly known as "star wars," Japan still lags behind the United States, analysis sid

The United States has solicited bids from Japanese companies to take part in an SDI research project aimed at hoisting a high-altitude missile shield above the western Pacific Ocean. The deadline for bids is late July.

We really want to get involved in the SDI problem, and we are studying this at the moment. But we cannot say anything about our plans at the moment," said Mr.

"We simply do not have readily available technology for use in some high-altitude tasks of SDL But we do have low-altitude defense technology and detection devices," he added.

If Mitsubishi wins a research contract, it would be the first Japanese involvement in SD1 -conceived as a combination of spaceand land-based arms batteries able to shoot down enemy war-

Last year, Japan raised its mili-

### 4,000 3,000 2,000 1,000 '79 '80 '81 '82 '83 '84 '85 '86 '87 '88

DEFENSE BUDGET IN BILLIONS OF YEN

tary budget for the fiscal year ending March 1988 above a self-imposed ceiling set in 1976 of 1 percent of gross national product. In 1988-89, military spending has been provisionally set at 3.7 trillion yen, or about 6.5 percent of the total budget, the biggest an-oual level since World War II,

analysts said. While the armaments boom is likely to expand Mr. Yamada's

division, commilitary projects in its sights are grounded.

A pact with Boeing Co. to build a 150-seat passenger plane called the YXX has been delayed. "Boeing has shifted the timing of development start-up for this

project. It may not start in 1988," and might not even start in 1989," said Mr. Yamada.

develop the YXX while similar planes it makes, the 737 and 757, are on the market, he added. The next five years will hold triumph or disaster for Mitsubi-shi over the launching of the H-2 rocket, "The H-2 is a national

project so we must succeed on

this," said Mr. Yamada. It should be ready for blast-off in 1993, carrying a satellite pay-load of 4.1 metric tons, slightly less than that of Ariane SA's Ariane-4, the first of which

### Central Bank For EC Appears To Be Blocked

By Ferdinand Protzman

FRANKFURT - West German and British opposition to the rapid creation of a European central bank and currency union is likely to win out at the European meeting that starts Monday, Bonn government sources said.

establish a commission to study the idea. West German government sources said, but added that there will be no mandate for actually setting up a European central bank. The French government, as well as e European business and financial leaders, has pressed strongly for creating such a bank. "A commission will be appoint-

The summit leaders will agree to

ed to study the possibility of forming a European central hank and monetary union," one West Ger-man government official said, "But its mandate will be to broadly examine the many opdons for doing so, not to choose one. The first issue will be to determine who

needs to be on the commission." Finance Minister Gerhard Stoltenberg of West Germany is believed to favor a commission composed of EC central bank governors and some outside finan-

The summit meeting, in Hannover, will conclude West Germany's six-month tenure in the EC presidency. Greece will assume the presidency on July 1.

The summit is not expected to

produce any unexpected agree-ments on the variety of social and economie issues before the EC as it repares for the opening of a single, borderless market in 1992.

Chancellor Helmut Kohl and Karl Otto Pohl, the president of the Bundesbank, West Germany's cen-tral bank, have expressed little en-thusiasm for the central bank idea, repeatedly stating that creation of such an institution and of a currency union are long-term goals, which would have to meet specific, West

Prime Minister Margaret Thatcher of Britain has been even more outspoken in her opposition to a European central bank, sug-

In the heart of Tokyo . . .

options is not worthwhile.

Mrs. Thatcher said in Parliamen on Thursday: "You will only have: European central bank when you have a United States of Europe under one sovereign government and not under 12, and that they all have the same economic policy That being not on the cards, I see no point in having anyone to study a European central bank."

That statement contrasts sharply with remarks by Lord Cockfield the EC commissioner responsible for setting up an internal market, who told a West German industry meeting last Thursday: "We won't be all the way" to a monetary union in 1992, "but we must be there as oon as possible thereafter."
Under Mrs. Thatcher, Britain
as strongly resisted calls for the

See EUROPE, Page 17

#### **Bonn Backing** Delors for a 2d Term at EC

BONN — West Germany is backing France's Jacques De-lors for another term as European Commission president but expects its candidate to be next to hold the job, Chancelfor Helmut Kohl said Sunday. The European Community summit is expected to ask Mr.

Delors, head of the EC's execunive since 1985, to remain. But Mr. Kohl said in an interview with West German television: "It is my duty to make the point that it is now the Germans' turn, after the

EC's development over the past decades, just as it was our turn for NATO secretary-general." Manfred Worner be-comes head of NATO in July. Walter Hallstein was presi-

dent of the commission from 1958 until 1967. Bonn has not held the job since.

### Farm 'Subsidy Wars' Provoke a Trading Crisis

The cost of this aid, at a time when most governments are trying to cut fiscal deficits, is causing a crisis in the trading relaconship of the

rejected President Ronald Reagan's call for the scrapping of all farm subsidies within 10 years. While the Atlantic partners are now trading accusations about whose policy is the most protectionist, Washington has served notice

Top Official

Expected to

By John Holusha New York Times Service DETROIT - Elmer W. John

son, a Chicago lawyer who became an executive vice president of Gen-

eral Motors Corp., is expected to

resign Monday, people close to the company said. The departure of such a high executive would signal

Those familiar with the situation said Mr. Johnson, 56, was disap-pointed that his chances had di-

minished of being named chairman when Roger B. Smith retires in 1990 at 65. Mr. Johnson was also

frustrated by the slow pace of change at the company, they said, and had grown increasingly isolat-

Mr. Johnson, who has been with GM only since 1983, is the second

nigh-ranking outsider to leave the

company in the last year and a half

because of differences with top management, H. Ross Perot, whose

Electronic Data Systems Corp. was acquired by GM in 1984, accepted a \$700 million stock buyout and

resigned from GM's board in De-

cember 1986 after he had become openly critical of the company. Mr. Smith has said that he acprired EDS and brought in Mr. Perot and Mr. Johnson to help GM

deal with changed competitive con-ditions. But Mr. Smith has appar-

ently been unable to convince other

senior managers that radical

GM, which declined to comment

on the situation, said its board

change is needed.

ed in the executive suite.

disarray in GM's top ranks.

Leave GM

Farm subsidies, which over time have come to resemble both a perpetual motion machine and an absurdly complex Rube Goldberg contrivance, generate the costly stockpiles of corn, wheat, soybeans, rice, butter, milk and other commodities that are disrupting world markets.

The drought that is searing the American farm belt has taken some of the edge off the problem of surpluses by damaging prospects for 1988 harvests and promising to raise American grain and soybean prices above prevailing world levels. Yet droughts are temporary, while overproduction is recurrent.

Japan, whose part-time farmers are considered among the most inefficient in the world,

imports and charging consumers 10 times the world price, thereby stimulating production. The artificial condition creates a wall against foreign imports and makes it profitable for Japanese farmers to produce rice that is financed by Japanese consumers. At times, Japan has even exported subsidized rice at lower,

world market prices. Because of import levies and high prices, the European Community is one of the world's leading sugar exporters, to the dismay of the Philippines and Caribbean countries that are dependent on sugar. The community's agricultural policy is similar for other crops. In the 1960s the European Community was the

See FARM, Page 17

#### By Clyde H. Farnsworth that it may escalate the "subsidy wars" if the produces all the rice it needs by restricting New York Times Service Europeans do not comply.

WASHINGTON - Thanks to political influence that far exceeds their waning oumbers, farmers in the industrial countries receive more than \$200 billioo a year in subsidies, a level of support that has doubled in the past 10 years.

Signs of the tensions emerged last week at the

summit conference in Toronto, when the allies









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Net Income	14,3	16,0	+12
Dividends	5,4	6,0	+11
Total Assets	350,0	478,0	+37
Capital and Reserves	68,7	78,5	+14
Staff	227	249	+10

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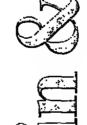
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Last Week's Markets

Prime rate

would meet Monday. GM's senior management considered Mr. Johnson dangerous one industry analyst said, because he bypassed the seniority system in making appointments and because he suggested such changes as linking executive bounses to profit Ch'se sharing for factory workers.







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# عكذامن الإجل

### New International Bond Issues The Perpetuals Return, This Time in Name Only

New	Int					Bond Issues  Desvilettes	By Carl Gewirtz	The essential ingredient is the	The trust is funded by a port
	-		onque	21 by 11	_	westness.	International Herald Tribune	fiction of the notes' perpetuity. The	of the proceeds raised by the issu
issuer	Amount (millions)	Mat.	Coup.	Price	Price end week	Terms	PARIS — In the beginning, there were perpetuals: floating rate notes which, by definition, never	paper is never redeemed by the	The money is then invested in ze coupon U.S. Treasury bon whose cash value after 15 years
DATING RATE NO	)TES		· <del>-</del> ····				mature and therefore never get re-	INTERNATIONAL CREDIT issuer, but by a trust. The money	sufficient to redeem the en
Eght	\$ 30	1993	0.22	100.10	_	Over 6-month Libor. Noncollable. Fees 0,11%, Denomina- tions \$100,000.	Then came the collapse, when investors decided that \$16 billion	set aside in the trust to repay inves- tors is treated as a tax-deductible	Bankers arranging these trans- tions acknowledge that the str
& Leicester Society	€ 125	. 1993	libor	100	_	Interest will be the higher of 1-month Libor or 6-month Libor	of paper issued between 1984 and 1986 and never to be redeemed was	interest expense.  Capturing the redemption cost	ture exploits and even violates spirit of tax rules, but insist that
						plus 1/16, set monthly and paid semicanoutly. Noncellable. Fees 0.325%. Denominations £10,000.	a rotten bargain.  Now, thanks to the creative use	as a business expense results in a huge tax saving, which issuers in	letter of the law is respected, si the paper is outstanding forever
PON xpress	\$200	1992	914	101%	100.13	Noncolichia, Faes 116%.	of tax laws and financial engineer- ing, comes the resurrection of per- peruals that exist in name only.	part pass on to investors in the form of very high annual income.	Three French borrowers are or rently in the market using the t
	\$150	1993	9%	1011/2	99.75	Noncollable. Fees 1969. Denominations \$10,000.	The new structure does nothing to enhance the attraction of the old	The "perpetuals" pay interest and are held by investors for only	formula: Rhône-Poulenc, wh started out seeking some \$500 m lion, is expected to raise in excess
ank	\$ 50			1011/2		Noncollable, Fees 1%%.	paper outstanding. But it does re- open the way for banks and corpo-	15 years. When the interest pay- ments stop, holders exchange the	\$1 billion, and Thomson and Co pagnic Bancaire are each seek
ica Investment	\$100 \$200	1989 1992		101%	_	Noncolicida. Fees 3/%.	rations to raise permanent capital in the international market without	paper for each built up in a special- by created trust, which holds the	\$200 million.  Bankers report that a number
							issuing equity.	notes in perpetuity.	such issues has already been or
is of Tokyo westment	\$200 \$100	1993 1993		101%		Noncollable. Fees 1%%. Noncollable. Fees 1%%.	Sandis Regi	n Second Bo	nd Offering
	\$ 50	1993	914	101%		Noncellable, Fees 13/%	Reacts	estimated 900 million to 1 billion	yal budget deficit in 1988 caused
an ductor &	\$ 50			100%	_	Noncollable, Feet 136%	MANAMA, Bahrain — Saudi Arabia has asked banks to bid for a	riyals of bonds was taken by banks. Some sources estimated the king-	weak oil prices, and they repre- the first major Saudi government
nications							second offer of 1.5 billion rivals (\$400 million) of government	dom will try to raise about 30 bil- lion riyals through bond offerings	borrowing in 25 years.  Bankers said the Saudi mone
o Bank Aarkets	\$150	1993	9%	101134	99.90	Noncollable. Fees 1%%. Denominations \$10,000.	bonds, the second stage in the king- dom's return to the capital markets		agency, which functions as country's central bank, appear
bain nd	DM 200	1993	514	10114	99.30	Noncoliable. Fees 2%.	after a 25-year absence. Saudi bankers said a telex from the Saudi Arabian Monetary Agen-	The bonds are designed to help finance a projected 35.9 billion ri-	be planning to issue bonds at t week intervals.
Vationale des imunications	# 1,000	1998	9	101%	99.38	Noncolicide. Fees-2%.	cy inviting them to bid on develop- ment bonds appeared to follow the	EUDADE.	. 10 101 1
acal de	ECU 150	1992	7%	1011/4	99.60	Noncollable. Fees 196%.	format of a similar offering on Jone 11. The bonds have maturities of	EUROPE: Cert (Continued from first finance page)	tral Bank Blocket was reached by EC finance mi
CAECL.	ecu 100	1992	7%	101_57	5 99.63	Nonceliable, Fees 1995.	one to five years.  Bankers said yields on the bonds	pound to be included in the Enro-	ters earlier this month in Lux
6 Sport Credit				101%		Noncolicible. Fees 11/6. 5 Noncolicible. Fees 11/6.	appear to be 35 to 60 basis points  —0.35 to 0.60 percentage points  higher than those on H.S. Treesman	exchange-rate mechanism. She has said such a move would be an un-	"Much has been accomplist toward the goal of a mone
anada	cs 40 cs 150						higher than those on U.S. Treasury securities of like maturities. The Sandi bonds offer semiannual pay-	necessary restraint on national eco- come sovereignty.	union, and that was a very im tant step," one government off
inance	C\$ 100			-		Noncollable, Fees 197%.	ments linked to cash flow from unspecified development projects	Some financial and economie leaders in EC nations believe a cen-	During West Germany's pr
entrale ns du	<b>C\$ 100</b>	1993	101/2	101%	99.88	Noncallable. Fees 197%.	and are tailored to Islamic law,	tral bank and European currency are prerequisites for unification in	dency, the EC made progres reforming its finances, struc-
once Crédit	<b>C\$ 100</b>	1991	10	101%	100.0	O Noncollable. Fees 1966.	Bankers said the returns on the bonds ranged from around 7.8 per-	rejects. The Kohl government and	and agricultural policy. In Fe ary, Mr. Kohl played the lead
i Commerciale	y 10,000	1993	1 7	101%		Noncallable, Redeemable at maturity in U.S. dollars at a	cent for one-year to above 8.6 per- cent for three-year and just over 9	the Bundesbank believe complete convertibility of currencies and a	reducing community farm sp
William Cond	( 10,000					fixed exchange rate of 121.80 yen per dollar, Feet 1764. Denominations 100 million yen.	percent for the five-year maturity.  A small sample of how the king-		units (\$31.2 billion) this year, i
of Europe	y 15,000			101%			dom's banks had converted the earnings on the offering to West-	tant than the establishment of new	Last Friday, EC agriculture in
k	Y 5,000 Y 10,000			101%		Collable at par in 1991, Fees 1%%. Noncollable, Fees 1%%, Denominations 100 million yen.	em-style yields produced widely differing calculations, varying by as much as 10 basis points.	ly. "But one must admit that the creation and switch from there to a	for the community's 10 mi
<b>9</b> 1	y 20,000	1992	2 71/2	101%	_	Noncellable, Redemption amount at maturity will be linked to the performance of the Nikhei 225 stock index, Fees 14%,	One banker speculated that the confusion may be caused by differ-		On Saturday, the EC establi- official relations with Come
our	y 10,000	1993	514	101%	_	Noncollable, Issue divided into a 6 billion yen tranche and a 4 billion yen tranche, The later is exchangeable until July 17	ent expectations of how much the semianmal earnings will yield once	process."	the 10-member economic coop tive of East bloc nations, endin
						into eather a bond poying 25% until 1990 and 74% smil 1993, or into a FRN due 1993 paying 0.15 over 6-month Libor, Fees 13/%. Denominations 100 million yes.	they are reinvested.  Bankers have been sworn to si-	EC made significant progress to- ward the goal of European integra-	ignoring each other. West Ger
LINKED						FERT 140 Deliveration for trans. And	lence over the program, but they said earlier the first 1.5 billion rival	are in the EC presidency. An	Genscher played the key rol
on Oil Compan	y \$100	1993	3 4	100	105.5	into remoney's shores at 6,612 year per shore and at 129,85	offer was undersubscribed. They	agreement liberalizing capital flows	forging that accord.
						yen per dollor, Feet 296%, \$50 million issued in Europe and \$50 million in Asia.	FARM: 'Subsid	ly Wars' Are Pron	oking a Crisis
enki	\$200	) 1993	g ope	n 100	99.00	<ol> <li>Coupon indicated at 45%. Nancaliable, Each \$5,000 note with one worrant exercisable into company's shares of an expected 25% premium, Fees 25%. Terms to be set June 28.</li> </ol>	(Continued from first finance page)	that the United States and the Eu-	Washington subsidizes An
h	\$400	1993	3 41/4	100	100.0	Noncollable, Each \$5,000 note with one warrant exercisable into company's shares at 891 yen per share and at 128,00	world's largest food importer; to- day it rivals the United States as an	ropean Community each spent nearly \$60 billion protecting farm- ers in the years 1984-86, against	ropeans protect farmers by set
<u> </u>	\$.50	1993	1 4	100	101.0	yet per dollar. Fees 25/%.  O Noncollable. Each \$5,000 note with one warrant courcisable.	exporter.  The United States also plays the	nearly \$40 billion in Japan. Other	those of the world market. W
7-1 4			· · ·			into company's shares of 1,179 yen per share and of 129.85 yen per dollar. Feet 28/%.	game, directly and indirectly. Take the subsidized water that makes	clude Canada, Australia and New Zealand.	reimbursed the difference between the lower world price and the h
hoto Film	\$400	1992	314	100	99.75	Noncoliable, Each \$5,000 note with one warrant exercisable into company's shares at 3,803 year per share and at 127.30 year per dollar. Fees 294%.	California's vegetables competitive with imports. Or the extensive quo- tas retained to bar imports of dairy	On a per capita basis the 2.5 million American farmers are the most resected of the major export-	
n Foods	\$120	1993	ореп	100	98.75		products, sugar, cotton and pea- nuts — under a special dispensa-	ers, followed by Japan's 4.4 million and the European Community's 11	tradition of managing markets, Europeans were predictably to
				100	207.00	expected 25% premium. Fees 25%. Terms to be set June 29.  Noncelloble, Each \$5,000 note with one warrant exerciscible	tion of the General Agreement on Tariffs and Trade that is now being	million. Yet the United States has long been critical of European farm	thusiastic when the Reagan addistration first proposed phasing
of Gumi	\$400	1993	4	100	101.00	into company's shares of 1,056 year per share and of 129.85 year per dollar. Fees 267%.	challenged by the Europeans.  A study published this year by the Organization for Economic Co-	subsidies because of their impact on world trade, which the Ameri- cans contend is much greater than	subsidies in 1987. So was Jap whose farmers have an especi- strong power base in the ruling I
ishi hemicol	\$200	1993	4	100	99.75	Noncollable, Each \$10,000 note with one warrant exercis- able into company's shares of 1,558 yen per share and at 126,80 yen per dollar. Fees 2/4%.	operation and Development found	that of the American program.	eral Democratic Party.
Toyo Bearing	\$200	1993	open	100	99.25	Coopen indicated at 4/4%. Nancallable, Each \$5,000 note	DOLLAD. B.	II. I - mass Dom	and Fanocted to
				100	100.25	expected 297% premium. Fees 296%. Terms to be ser June 20.		t-Up Japanese Dem port for May, which is due to be	Control bank officials, in an
Securities	\$ 50	1993	41/4	100		yen per dollar. Fees 24%.	concerted support for the dollar	released in mid-July. "We need news before we can	parent attempt to talk the dol
nasing	\$ 50	1992	31/4	100	100.00	Noncollable. Each \$5,000 note with one warrant exercisable into company's shares at \$7,752 yen per share and at 128,00	Marine and the second	expect a change of fundamental	have also stressed this point. If there are spreading expectation that the bank may soon be force
Apar Packers	\$ 80	1993	ореп	100	98.75	yen per dollar. Fees 2/4%.  Coupon indicated of 4/4%. Noncollable. Both \$5,000 note with one woment exercisable into company's shares of an with one woment exercisable into company's shares of an	March 31, Japanese life insurance	said Hirohiko Okumura, chier economist at Nomura Research In-	to act in support of the yen.
- India					00.00	expected 29% premium. Feet 28% terms to be 34 5000 note	ments, showed exchange-rate	change in mentality could come.	In the Tokyo bond market, go ernment bond prices fell to the lowest levels this year during San
i Chemical	\$100	1993	open	100		with one worrors essectable and remains to be set June 29. expected 29% premium. Fees 216%. Terms to be set June 29.	losses of 1.3 trillion year (\$10 bil- lion), chiefly due to purchases in	Seasonally adjusted, the U.S. deficit for April was \$9.89 billion.	day's session, reflecting fears to
portment	\$200	1993	4	100	101.00	Noncollable. Each \$5,000 note with one warrant exercisable into company's shares of 1,292 year per share and of 128,00	But better-than-expected im-	Mr Okumura, like many other	in interest-rate increase. Furth drops are expected this week.
		2007	71/2	100	99 50	yen per shore. Pees 2000. Collebia of 107 in 1993, Conventible of 710 perce per shore,	and the Japanese surplus over the	May of \$11 billion or so, which is	Japan's rate of inflation, who
& Crossfield	£75	2003		100		o 7.42% premium. Fees 292%.	Japanese institutions that it is	not seem on the deal	expected to rise only modestly. I economists calculated that a 10-
nt'i Finance	£100	1998	6			Redestrable of Torras Hosterich SA of 3,635 pessius per share, into shares of Torras Hosterich SA of 3,635 pessius per share, a 17,29% premium, and at 207,195 pessius per pound. Fees 25%. Denominations £10,000.	in dollar-denominated securities,	M up ** 20 22 22 22 22 22 22 22 22 22 22 22 22	
•	160	1003		100		Noncollable. Each 10,000-guilder note with two warrants	Several investment managers at major insurers said over the week-	Orders for U.S	. 10018 Surge

letter of the law is respected, since as a capital-market transaction or a interest. That's not an impossibilthe paper is outstanding forever.

The essential ingredient is the The trust is funded by a portion pleted for banks in New Zealand below Libor. The exact saving is

nominal amount of the perpetuals. these placements: Merrill Lynch, entirely in the first year or spreads syndicated credit. In most cases, however, bankers who normally syndicate loans are marketing the

> vary considerably, bankers report. interest were suspended, the ar-But a description of the Rhône-Poulenc deal illustrates the basic

nas aiready fully inflized its ability to issue nonvoting certificats d'investissement. To increase its capital without going to the government, it is offering about \$1 billion of perpetual subordinated capital notes.

sells, the company will receive only 74 percent of that in cash (in fact agency, which functions as the somewhat less after it pays Merrill Lynch its commissions for arrangcountry's central bank, appears to be planning to issue bonds at two-

cedes at the outset - which actually finances the purchase of the zeroes and redemption of the capital notes — is an interest charge, alentire redemption value.

"Much has been accomplished said such a move would be an unnecessary restraint on national economic sovereignty.

toward the goal of a monetary
union, and that was a very important step," one government official
rate of interest.

The money will be
rate of interest.

The perpetuals pay interest only for 15 years. For the first five years, purchasers of the Rhône-Poulenc the final five years. In today's market, the only long- these private placements.

lot less certain.

rate of 1.04 percentage points to pay investors an average a of a above Libor on \$1 billion, even though it has received in cash only \$740 million.

International Herald Tribune fiction of the notes' perpetuity. The of the proceeds raised by the issuer. and Australia. Little is known hard to quantify, partly because it about them, as the transactions are depends on the actual Libor level. coupon U.S. Treasury bonds, handled as private placements. over the 15 years, parily because it whose cash value after 15 years is Only a small oumber of institusufficient to redeem the entire tions is so far active in arranging takes the initial 26 percent discount

set aside in the trust to repay investors is treated as a tax-deductible interest expense.

Bankers arranging these transactions acknowledge that the structure exploits and even violates the Banking Corp. Bankers themselves spirit of tax rules, but insist that the are unsure whether to classify them omits a dividend it can suspend ity, Rhône-Poulenc ran up losses of 3.1 billion francs (\$740.6 million) between 1980 and 1982. Since then it has been profitable. However, if The details of the structure can it were to return to the red and

> rears on the perpetual would collect interest at 3 points over Libor. Up to now, banks targeted the The French state-owned chemi-cal company cannot raise capital mals" to investors in Japan, espe-

> petual subordinated capital notes.
>
> Regardless of how much paper it
> lysts said, indicates that banks lysts said, indicates that banks which have access to sub-Libor money - are also eager to participate. Banks have shied away from buying subordinated perpetuals is-sued by other banks because of For the tax authorities, the 26 regulations, or fears of regulations, percent discount Rhône-Poulenc obliging them to reduce their own capital by the amount of such in-

> Those regulations, aimed at prenotes — is an interest charge, allowing it to write off as expenses both the annual interest and the capital notes issued by companies. Thomson is also state-owned,

As a result, Rhône-Poulenc can and faces the same limited access to raised in the name of Batif, its banking subsidiary.

Compagnie Bancaire, privately owned, obviously prefers not to ask notes will earn an annual income of its shareholders for an increase of % of a point over the London inter- to try to sell additional shares in a bank offered rate. In the second market where prices have not fully five years, this rises to I point over recovered from last October's Libor and then to 14 over Libor in crash. Swiss Bank Investment Banking Corp. is arranging both

term assets offering such high re-turns are rescheduled loans to developing countries, where payment payments also run for 15 years, but of interest as well as principal is a are adjusted only once, after year seven, compared to two step-ups by The pretax cost is huge. Rhône- Rhône-Poulenc. In addition, the Poulenc will pay an average annual costs are lower, with both expected

credit standing of Compagnie Ban-But on an after-tax basis, bank- caire and the fact that holders of ers estimate privately that the loan Thomson paper do not face the will cost about 3 percentage points possibility of interest suspension.

#### **EUROPE:** Central Bank Blocked (Continued from first finance page) was reached by EC finance minis-

### FARM: 'Subsidy Wars' Are Provoking a Crisis in Trade Among the Western Allies

Last week Japan grudgingly gave government is in no position to way to American and Australian make sweeping commitments," (Continued from first finance page) that the United States and the Eu- Washington subsidizes Ameriworld's largest food importer, toworld's largest food importer, today it rivals the United States as an
exporter.

The United States also plays the
game, directly and indirectly. Take
the subsidized water that makes

Topian Community each spent can farmers directly, while the innearly \$60 billion protecting farmropeans protect farmers by setting
ers in the years 1984-86, against
nearly \$40 billion in Japan. Other
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Zealand.

The lower world price and the highopposed to reductions and that
California's vegetables competitive

On a per capita basis the 2.5 er domestic price from levies inthey have already permitted them in both grain prices and milk pro-duction over the past two to three

Tokyo still shows no give on ending No Resolution at Meeting

products, sugar, cotton and peamuts — under a special dispensation of the General Agreement on
Tariffs and Trade that is core being

and the European Community's 11

Europeans were predictably unenmillion. Yet the United States has
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thus a special dispensamillion and the Europeans were predictably unenmillion a

awhile before there are any breakthroughs. Europe knows that this

demands to end most restrictions said a Washington agricultural on imports of beef and citrus. But consultant, John A. Schnittker.

The Europeans say they are not United States, Canada and Japan failed to resolve the problem of farm subsidies at a meeting that

sota. Renters reported.

Willy De Clercq, the European Community minister for external relations and trade, said, "The dif-The rebuff Mr. Resgan received ferences of our viewpoints on agri-in Toronto indicates that it may be culture are as evident as the day-

### DOLLAR: Pent-Up Japanese Demand Expected to Fuel Currency's Rise (Continued from page I) port for May, which is due to be oncerted support for the dollar released in mid-July. "We need news before we can expect a change of fundamental expect a change of fundamental have also stressed this point. But of the dollar would add a minimum of one percentage down over the past several days, which is due to be ordered support for the dollar would add a minimum of one percentage down over the past several days, which is due to be ordered support for the dollar would add a minimum of one percentage down over the past several days. "The Bank of Japan may be less

WASHINGTON - Orders for million, set in October 1979. For

U.S.-made machine tools surged the first five months of this year. 28.4 percent in May to their highest orders were up 82.6 percent, to

mand, according to a report Mon-pected an increase, adding that

day by the iodustry's trade higher orders had generally been

monthly total in seven years, bol- \$1.42 billion, the report said.

But better-than-expected imovernents in the U.S. trade deficit id the Japanese surplus over the ast two months have convinced Japanese institutions that it is again safe to increase investments in dollar-denominated securities, financial analysis said. Noncollable. Each 10,000-guilder note with two warrants sesercisable into company's shares of 1,558 yes per share and of 64.60 yes per guilder. Fees 24%.

Several investment managers at major insurers said over the weekend that they were increasing the ratio of U.S. instruments in their The resulting dollar demand has

spurred a round of speculative buy-ing. And it has led those who previously hedged against a decline in the dollar—such as exporters and holders of U.S. securities - to reduce their forward sales, further

Nonetheless, market analysts remained divided as to whether the dollar's recent strength represents a decisive change in direction or a short-term phenomenon essentially without foundation. Attention is now focused on the U.S. trade re-

stered by increased domestic de-

rable month last year. The May figure was the highest monthly lev-

el since March 1981, when the level

The monthly record amount for parts.

was \$358.8 million.

machine-tool orders was \$565.05

Analysts said that they had ex-

the pattern this year. They said,

however, that the association fig-

Machine tools are power-driven

devices that cut or shape metal

to the weakened dollar.

vociferous about inflation than the Bundesbank," said Eric Rasmussen, an economist at Jardine Fleming (Securities) Ltd. in Tokyo. "But one shouldn't mistake this for a weaker will to resist it."

- PATRICK L. SMITH

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#### PACIFIC BASIN FUND 10A, Boulevard Royal, Luxembourg.

NOTICE TO SHAREHOLDERS

Further to the decision of the Board of Directors taken on Febru-

Further to the decision of the Board of Directors taken on February 26 to liquidate the Fund, the accounts of the Fund were closed on June 1, 1968 at which date the management company prepared their report certifying that the net asset value per share to be reimbursed to shareholders submitting their shares for liquidation is U.S. \$21.75.

Holders of bearer and registered share certificates should present their certificates along with payment instructions to the paying agent, Banque Paribes (Luxembourg) S.A. 10A Boulevard Royal, Luxembourg. For those registered shareholders who elected not to receive share certificates, the paying agent will despatch a U.S. \$ cheque in the amount corresponding to their holding to their address in the register of shareholders. At the close of liquidation, date to be decided by the board of the management company and published at a later date, any outstanding amounts will be deposited with the Caisse des Consignations in Luxembourg on behalf of the beneficiaries.

On behalf of the Board of

On behalf of the Board of PACIFIC BASIN MANAGEMENT COMPANY S.A.

J. Pierson General Manage

June 22, 1988.

### Treasury Bonds

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letel yield
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Beed Boyer 26-Beed Index Money Market Pearls Doscopher's 7-Day Aven Opports 7-Day Average

U.S. Consumer Rates June 24 7.77 % LTE % Sonk Money Market Accounts Sonk Rate Monitor Lakes 571% Home Mortgood, FHLB average

Source : Hew York Times.



### ONDS: Dollar Advance Not Yet Felt in Euromarket

timed from first finance page) on the dollar," said Rich-try.

German industry is less affected.

German industry is less affected. a Tokyo-based analyst Nomura Securities Co. fact, the potential rush back he dollar is even bigger. Not

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this year — and which now le markets.

the dollar is driven higher it sot believe in the durability of

ils in Germany and Japan, vorry about importing inflafrom the increased price of denominated raw materials, has actually been done to cap

slysts said the Bank of Japan be Bundesbank are in awkporters to the dollar area, and ing that the dollar's renewed against the yen, a new low is very early intervention to stop strength is sustainable has nothing unlikely in 1988.

the appreciation could ignite a to do with improved fundamentals.

since its major trading area is Western Europe. But any move by the Bundesbank to raise interest rates overlooked are speculative to levels thwarting the outflow of ons in favor of the yen taken capital — now rising thanks to the to be unwound — and the abroad — would also slow the aln exchange dealers them-who suffer when rates are tivity in Germany, seriously afflictand earn their living from ing the growth potential of its

European partners. In addition, while financial mari off the adelines those who kets seem to have happily shrugged off memories of the upsets of last unge but cannot afford to do
October, the potential for turmoil
ag while it happens, creating a
has left an indelible mark on mone wagon. tary officials. The fear of rocking the dollar a second to the boat is even greater since U.S. he dollar's appreciation from policy is now regarded as locked into neutral pending the November presidential election.

Meanwhile, for the United States, the developments in the forcign exchange market are quite welcome. The rise in the dollar will year's inflation rate a percent or so, dampen the cost of imports, helping to contain inflation, In fact, the argument for believ-

storm of disapproval from indus- such as a continued decline in the trade deficit or a better control on domestic demand. Instead, it is linked to the belief that a stronger dollar suits American policy. "Given that the U.S. economy is

100.00 Noncollable. Each 5,000-eau nate with one warrant eau

able into company's shares at 891 year per share and at 152.55 year per east. Fees 284%.

Coupon indicated at 9%, Callable at par in 1993. Convertible at an expected 5% premium. Fees 24%, Terms to be set June

flirting with full employment already, there is a serious inflation risk so long as growth looks to be solidly planted above a 3 percent growth track, which is precisely the current case," said Jonathan Wil-mot, a Credit Suisse First Boston "In those circumstances, the

economy benefits from a stronger dollar. At the same time, the strength of the economy softens the political constraint on raising interest rates in an election year, meaning that there is both more willingness to raise rates if and when the dollar is under pressure and less temptation to lower them when the dollar is strong. This year's drought, which could raise next reinforces the point," he said.

His conclusion: "The dollar has bottomed out against the DM bloc;

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#### 2LD STOCKS IN REVIEW / Via Agence France-Presse

#### terdam

intket rose strongly, with CBS general index clos-33, up 7.9 on the previous marking a record. have now gained more. percent since the start of

arket began the week in a mood due to inflation fidence returned as fears "interest rates abated. per totaled 6.5 billion guilinst 6.86 billion guilders rais week.

empen & Co. brokerage meets the positive tone to this week.

#### kfurt

osted a slight gain, with erzhank index rising to riday, 2.6 points above the

of higher interest rates kened the tone at the the week, but the market back later, helped by the nsc, Wall Street's strength Bayer group's announce-higher annual profit. hobile stocks were among performers. Volkswagen

Deutsche marks to close 9 DM and Daimler-Benz 6 to 655. electricals, Siemens add-DM to finish the week at

wing unconfirmed ru-

but a big contract with the on the eight West Ger-ek exchanges totaled 21.90 M, against 14.15 billion

### g Kong

Jang Seng Index dropped ints over the week to close at 2,707.56, after gaining in 70 points to a post-colthe previous week. conder-based Hong Kong Paris set 7.95 points to close at

is said an increase in Hong

nterest rates, announced could carry the weakness this week. slow start to the week, the

inlied slightly Wednesday, is adding 13.48 points, by Tuesday's announceit companies controlled by tiong Pao, the Hong Kongwere to take U.S.-based Omni Hotels

market rose modestly then dropped Friday in on of the interest-rate inalers said.

e as for the previous week. almost 2 percent.

#### :don

is fluctuated irregularly in

while the 30-share industrial index closed at 1,494.9, against 1,472.6.

The week started on a hesitant note on worries about a possible rise in interest rates and after the insurance group, General Accident, announced a £148 million cash call to finance its purchase of 51 percent of NZI Corp.

But values picked up on a technical correction, and, helped by speculative buying among bid favorites, gains were consolidated despite the announcement of a half-point rise in British banks' base rates.

However, interest-rate fears resurfaced late in the week as the interbank rate moved up slightly. Fears that the British trade figures for May might be worse than expected also reduced gains.

There was interest in the food sector following the announcement by the British confectioner, Rowntree, that it was recommending that shareholders accept the Swiss food group Nestle's £2.55 billion take-

Cadbury Schweppes rose on speculation that Jacobs Suchard of witzerland, the unsuccessful rival bidder for Rowntree, may turn to Britain's No. 2 confectioner.

#### Milan

The market advanced solidly in higher volume, the Comit index closing the week at 511.06 against 488.29 for the previous week.

Volume averaged 210 billion lire day, against the previous week's

Companies associated with Car-lo de Benedetti, the industrialist, were the feature of the week. CIR rose 12.69 percent; Buitoni, 13.13 ercent; Cofide, 9.42 percent; and Olivetti, 5.32 percent.

Analysts said the market is likely to maintain its upward trend.

The Bourse was repeatedly disturbed during the week by employee strikes and bomb scares, hampering computation of price movements. The Bourse trend indicator showed a rise of more than 2 percent for the week.

Only shares on the computerized monthly settlement market were quoted more or less normally. Prices on other markets could not be quoted for much of the week.

Monthly settlement prices lost 0.39 percent in strike-disturbed trading, while Tuesday, higher West German interest rates and Wall Street's decline the day before depressed Paris prices. But ain, while its losing rival, Jacobs dely turnover was 1.45 Wednesday, the last day of the monthly account, brought a rise of

Prices continued to firm late in the week. Thursday trading was buoyed by the dollar's rise and the Bourse indicator rose 1.6 percent. nely active trading. The Fi- There was a further rise of 1.4 per-Times 100-share index rose cent Friday, but trading was interins to 1,871.3 on the week, rupted by a bomb scare.

#### Accord Aims to Clear Way Singapore For Spanish Bank Merger The Straits Times Industrial In-

dex hit a record for the year of

Activity focused on plantation stocks, which were actively sought

by institutions and Japanese fund

Turnover for the week was 306

million shares, compared with

Prices plunged on the Tokyo Stock Exchange last week amid

mounting fears of inflation stem-

ming from the dollar's sharp rise

Nikkei stock average, lost a hefty

786.25 points to close the week at 27,556.21 on Saturday. The week before, it had gained 422.10 points.

The exchange's composite index of all stocks listed on its first sec-

tion lost 56.66 points to 2,162.67 on

the week, having risen 19.41 points

The key market indicator, the

277.2 million the previous week.

managers, dealers said.

nst the yen.

the week before.

on June 17.

money-market trends.

remain volatile this week.

an optimistic note, analysts said,

particularly because of the dollar's

rise, which belped stocks of compa-

nies with big export markets.

The Crédit Suisse index finished

at 471.8, against 462.4 the previous

week, and the Swiss Bank Corp.

indicator closed at 520.4 against

Among industrials. Fisher rose

125 Swiss francs to 1,140, while

among chemicals, Ciba Geigy bear-

Nestlé lost 50 to 8,640 after win-

ning control of Rowntree of Brit-

PERSONAL INVESTING

IN THE IHT THE SECOND MONDAY OF EACH MONTH.

EDITED FOR THE SOPHISTICATED

INVESTOR — AN ESSENTIAL GUIDE TO OPPORTUNITIES AND PITFALLS — WORLDWIDE

Soles in Net 1905 "High Low Close Chipe

er shares rose by 130 to 3,420.

Suchard, added 195 to 7.850.

Zurich

Tokyo

1.083.44 points Thursday, but slipped marginally Friday to close MADRID - Spam's Banco Central SA has moved to resolve a the week at 1,082.69, 14.49 points dispute with its largest shareholder, Cartera Central, over the bank's above the previous Friday's close. merger with Banco Español de Crédito.

A Banco Central spokesman said Saturday that a board meeting had agreed that Alberto Alcocer and Alberto Cortina, who control Carters in partnership with the Kuwait Investment Office, would take seats on Central's board.

The two would also sit on the merger committee set up by Banco Central and Banco Español, the spokesman said, adding that the accord would remove opposition by Cartera to the form the merger was taking. Cartera has a 13.1 percent declared stake in Banco Central and a small stake in Banco Español, known as Banesto. Cartera, which is seeking 10 percent in the combined entity, had previously said that it favored the merger in principle but objected to

the way it was being handled. Banco Central's chairman, Alfonso Escamez, said Saturday: "It is good that these two comrades and friends will be on the board." Mr. Cortina commented; "We have come to an agreement because it is an extremely important matter for the financial system and for the national economy.

Spain has sought to promote consolidation in the banking indus-try, to prepare it for increased competition in the "frontierless" ropean Community that is planned for 1992.

### Piedmont Officials Shift to Braniff

حكذاهن المحل

Compiled by Ow Staff From Dispatches

that is taking over Braniff Inc. has Inc. last week to run Braniff, a court protection from creditors in Dallas-based airling.

group led by PaineWebber Group Inc., also said its previously announced leveraged buyout of Braniff would value the airline at \$111

"We intend for Braniff to become a strong competitive force in our nation's air travel and hospitality industries," Jeffrey R. Cho-dorow, a BIA official, said in a and helped build it into the ninthstatement, Mr. Chodorow is a real estate investor who is a principal in acquired by USAir Group Inc. last firm CoreGroup Inc.

BIA did not elaborate on its plans for Braniff. But in recent weeks, the group has pledged to expand the Dallas-based airline

### and protect the jobs of its 2,600 replace Mr. McGee as Piedmont

DALLAS — The investor group employees.

DALLAS — The investor group employees.

Braniff was once the eighth-larger, and Edwin I. Colodny, chairappointed five top executives who est U.S. carrier, but it began losing man of USAir, will also be chairresigned from Piedmont Aviation money and filed for bankruptcy

BIA Acquisitions, an investor go, which also controls the Hyant toom led by PaineWebber Group botel chain, bought the airline in 1983. Braniff posted a net loss of \$8.1

million in the first 1988 quarter. The new Braniff management is led by William G. McGee, who will take over as chairman, chief executive and president He had been chairman, president

largest U.S. carrier before it was Thomas E. Schick was named to

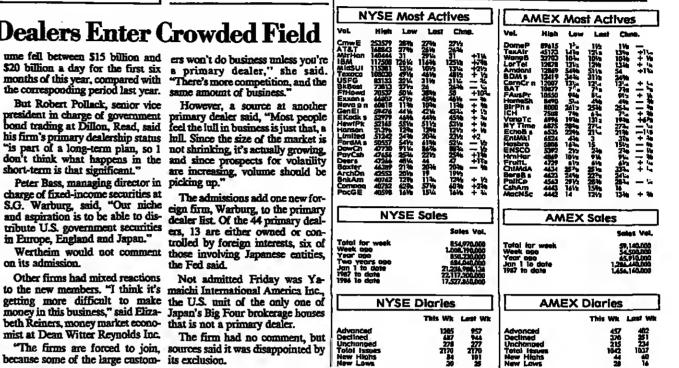
man of the subsidiary.

BIA agreed to buy control of 1982. The Pritzker family of Chica- Braniff from Dalfort Aviation Inc., which is owned by the Pritzkers. BIA is paying \$7 a share in cash and a pro rata share of 20 percent of the restructured airline for each share of Braniff common stock.

The deal capped two weeks of negotiations between Dalfort and BIA. Dalfort turned down a previous offer from the investor group. Dalfort owned 64 percent of the airline's common stock and all of

and helped build it into the ninth- its Series A preferred stock, which gave it more than 90 percent of the stock voting rights. BIA is paying \$1,000 each for the preferred shares. (AP, UPI)

#### Wall Street Review



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Alicrom 20 31-16 r 21-34 22/h 4 196 21-4 35 5-16 13-1/2 21-4 25 r r Alicroff 50 15% 9 45/4 35 16/4 8

#### **New Primary Dealers Enter Crowded Field** ume fell between \$15 billion and ers won't do business unless you're \$20 billion a day for the first six a primary dealer," she said. months of this year, compared with "There's more competition, and the the corresponding period last year.

short-term is that significant."

in Europe, England and Japan."

Peter Bass, managing director in picking up."

Trading was relatively active, with an average of 1.12 billion NEW YORK - The three new shares changing hands daily, com-pared with the previous week's 1.48 primary dealers of U.S. government securities have entered a crowded club and are hoping to The Nikkei average lost ground Monday through Thursday, falling stake claims in a business that, according to some observers, has not

far below its record 28,342.46 set. been growing.

Friday's admissions to the pres-Friday it posted the week's only tigious primary dealer group bring the list to 44 firms, the New York gain, of 17.46 points, but it slipped 194.21 points Saturday under pres-Federal Reserve Bank said. The sure of profit-taking and uncertain three new entries are Dillon, Read & Co., S.G. Warburg Securities Inc. and Wertheim Schroder & Co. Institutional investors tended to

stand back from the market, deal-The New York Fed also released statistics showing a decline in the While many issues lost ground, volume of transactions by the pristeel stocks fared well. Kawasaki mary dealers, through which the Steel topped 600 yen for the first Fed conducts its open-market optime, closing Saturday at 609 yen. Analysts said the market could erations to influence the U.S. mon-

ey supply.

The dealers must report certain financial statistics to the New York Fed and meet standards that it sets The market ended the week on

New York Fed figures showed

beth Reiners, money market econo- that is not a primary dealer. mist at Dean Witter Reynolds Inc. The firm had no comment, but "The firms are forced to join, sources said it was disappointed by primary dealers' transaction vol- because some of the large custom- its exclusion.

### **Payless Managers**

New York Times Service

Offer a Buyout

NEW YORK - Executives of a leading do-it-yourself store chain, Payless Cashways Inc., offered Friday to buy the company for \$26 a share, or \$875 million in cash.

Last month, Asher B. Edelman, New York corporate raider, said that he headed a group with almost 8 percent of the company and might seek control. Payless has its headquarters in

Kansas City, Missouri, and both sides were heavily represented by Kansas City building suppliers. The Edelman group includes Sutherland Lumber-Southwest Inc.

### **American Exchange Options**

are increa

the Fed said.

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### **MONDAY SPORTS**

### The Spinks Fight Strategy: Keeping Tyson Out of Sync

By Phil Berger New York Times Se

ATLANTIC CITY, New Jersey Last fall, the trainer George Benton described an unusual move he had shown a fighter of his, Tyrell Siggs, to keep Biggs from being cornered by the heavyweight champion, Mike Tyson.

The key, as Benton saw it, was for Biggs to keep out of the corners of the ring and off the ropes, where Tyson could dig in his heels and unleash his powerful punches.

For those occasions when Tyson did close in on Biggs, Benton had an unorthodox way for his fighter to regain space. Benton instructed Biggs to lower his head and, like a linebacker in football, drive his shoulders into Tyson's chest, stunning the champion just enough so that Biggs could carry out his stick-

and-move fight plan.

Benton even had calculated the referee's reaction to the questionable tactic. He instructed Biggs not to try to punch Tyson after he had hit him with the shoulder. The trainer's belief was that if his fighter did not gain a clear advantage with the roughhouse tactic, the ref-eree would allow it. But the best-laid plans for Biggs

were ruined by the consuming rage and aggression of Tyson, who knocked Riggs out in seven rounds in October. Not once was Biggs able to attempt the maneuver that Benton had shown him. It was all he could do to avoid punches flying from all angles.

Monday night, another fighter and another trainer will try their plan for defusing the dangerous punches of Tyson. While the particulars of the strategy designed by the trainer, Eddie Futch, for Michael Spinks may vary somewhat from what was intended for Biggs, the broad strokes will be much the

Tyson, like a mathematical con-He is what he is: a warrior, steadily

"I don't change for anybody,"
Tyson said. "They change for me."
"Michael Spinks is going to have to box him, box him, box him," Futch said. "He must frustrate hlm; make him make mistakes and take advantage. Mike Tyson's been known to become frustrated."

The question is, does the 31- for either rookies or free agents.

not only to confound Tyson, but to ring mastery counts as much as beat him? While there have been opponents who bothered the 21year-old Tyson with excessive clinching - James (Bonecrusher) Smith, for example, who lasted 12 rounds that way — those foes fought only to survive the distance.

But Smith showed that Tyson, who is undefeated in 34 fights, with 30 knockouts, could be drawn into a fight where his overwhelming force was stymied.

When Smith wrapped his long arms around Tyson every time Ty-son sprang forward with wide-arcing punches, it unnerved the champion, and Tyson resorted to foul tactics, like hitting with the fore-arms and after the bell.

will make him more susceptible to puncher, using a right-hand blow being frustrated by a clever boxer called the "Spinks jimx" or a left like Spinks or turn him into more uppercut to finish opponents.

holding to beat Tyson he eventually will have to discourage the cham-

in 31 fights with 21 of those vic-tories by knockout, have the tools least to persuade the judges that

Spinks's jab will be a factor. In defeating Gerry Cooney in his last fight in June 1987, Spinks used the jab to break up Cooney's rhythm.

"The book on Cooney was don't let him corner you," Futch said. "Stay off the ropes and out of cor-ners. Cooney had terrific leverage when he had a target he could hit." The same cautions apply for Tyson. Spinks, like Biggs, will be warned off the ropes and out of the corners. And while Biggs had more

better because of his shrewdness. No active heavyweight has proven a better improviser than Spinks. One question for the fight Monday is whether the turmoil in Tyson's domestic and business lives weight, he was often a dangerous

agility, Spinks may end up doing

Against a fighter like Tyson, who While Spinks may do his share of disregards consequences when he



Mike Tyson, right, sizing up Michael Spinks, left, as the heavyweight rivals met at the weigh-in.

### Shortened NBA Draft Foretells Waning of Summer Leagues firsts and three seconds, in the think they were not doing their job will help us most. After that, we're were after watching the talent per

By Sam Goldaper New York Times Service NEW YORK - Wayne Embry

called the Tuesday's National Basketball Association college draft a trip into uncharted waters. Several other general managers

and an owner agreed with the Cleveland Cavaliers' general manager. The draft, reduced from seven to three rounds this year and to two rounds thereafter by the recent eement between the league and stant, brings no mysteries to the 12-round heavyweight title bout here. scout talent but also on free-agent and rookie camps and summer

> The Phoenix Suns have already dropped out of the Pacific Northwest Summer League, in which they competed with the Portland Trailblazers, Seattle Seahawks and Golden State Warriors, and will not conduct summer minicamps We will have five picks, two

who headed a group that recently purchased the franchise.

"We're going to go a different route this time. We feel we can accomplish the same things by working with our young players on an individual basis." The New York Knicks have a

free agent camp scheduled for July 18, and will join the New Jersey Nets, Washington Bullets and Philadelphia 76ers in competing in the Princeton Summer League. Then they will send a team to the California Pro League. But this will probably be the

Knicks' last year in the summer leagues, according to Al Bianchi, e general manager.
"I don't foresee us doing it Bianchi said. "Somebody started these summer programs

and everybody followed because of

the fear that their owners would

WEATHER

draft," said Jerry Colangelo, the if they didn't have a camp. Every-longtime Suns general manager, body needs some time off: the play-long the headed a manager, body needs some time off: the play-long the headed a manager, body needs some time off: the play-long that the same boat, scromging to form recently in Chicago. "I think this year's draft ers, the coaches, everybody.

In the future we'll bring in some

players in September, and those we think have a shot at making our team we'll bring to regular camp. September is basketball weather, not July and August. Wait and see how many fewer stress fractures there will be when players get some time off."

With the Cavaliers having only two picks, a first and a third, Embry is concerned about fielding a team for a July 21-24 camp. Cleveland is scheduled to play host to the Chicago Bulls, Detroit Pis-tons and Indiana Pacers.

"It's something new that has come upon us," said Embry, "and until we get through one of these drafts, we won't know. Basically, what it comes to now is that there are 75 players out there and we have to figure out which of them

Donnie Walsh, the Pacers' gen- and big-guard positions," said eral manager, agrees that the sum-mer programs will be phased out but he is less concerned by the "The team picking 18 or 19 may but he is less concerned by the

I think there is a lot of overreaction because it's the first time we're mons, Cleveland's director of playfaced by a three-round draft," Walsh said. "I think it will benefit both sides.

trate more on the top 100 players. We no longer can make a mistake with the players we draft, especially

How good is the draft, which will be held at Madison Square Gar-

"I think this year's draft is deep er than the last one at the forward

ckwalter, Portland's diget as good a player as those select-ing nine or 10," said Gary Fitzsim-

It is certain, however, that the draft figures to lack suspense. Elgin "The scouting will change in that Baylor, the Los Angeles Clippers' teams will now be able to concengeneral manager, announced right after winning the lottery that he would use the first pick to take 6-foot-10 (2.08-meter) Danny Man-

Most scouts say the other standouts among the big men are Rik Smits of Marist, 7-foot-4; Charles den's Feit Forum?

General managers and scouts

Smits of Marist, 1-1001-4; Charles
Smith of Pittsburgh, 6-foot-10;
Tim Perry of Temple, 6-9; Rony
were more optimistic after the Orlando Classic in April than they

Chris Morris of Auburn, 6-8.

DENNIS THE MENACE

### Faldo Wins French Open With Eagle

CHANTILLY France (AP)—Nick Faldo of British snatched victo in the French Open Smiles, sinking a 10-meter (33-600) putt on the passive small hole for an engine to sell his triumpil.

It was Faldo's first file suice his British Open victory last July. He sha two-under-par 68 in the last round to finish the French Open with a st under 274. It was his latticities on the British our but his first tournament victory this year affect four runner-up similates.

Denis Durniam of British, who lied by two stocks with two holes to play, fired a 74 for a total 276, sharing second place with Wayne Riley (Australia, who shot 78 for the day, Ossie Moore of Australia, with a 64 and David Felierty of Issland, with 70, and for fourth at 278.

### Nelson Keeps 4-Shot Lead in U.S. Gol

MARIETTA, Georgia (AP) — Larry Nelson shot a six-under-par on Saturday to retain a four-shot lead, with a 195 total, after three round of the Atlanta Golf Classe.

Nelson, the defending Professional Golfers' Association champion has led from the start and his total is one shot off the PGA Tour under par record for 5% holes. Paul Axinger, who shot a third-round 66, we second at 199.

Bobby Wadkins, who had shared the second-place slot with A and Chip Beck after the second round, was find with a 68-201. Lar Rinker was fourth with a 67-202, and three golfers were eight back at 20 Dave Rummells, who shot a 67, Scott Hoch with a 68 and Beck with a 7

#### A Half-Interest in Risen Star Is Sol

LEXINGTON, Kentucky (WP) — A half-interest in the breedinghts to Risen Star, winner of the Presidents and Belmont Stakes, woold for \$7 million to Walmac International Parms, it was announced Friday. The son of Secretariat is scheduled to race only twice more before

Friday. The sen of Secretariat is scheduled to race only twice more beforestiving to stud at the Walmac farm here.

Louis Roussel 3d, co lowner of Risen Star with Roume Lamarque, sat the syndication agreement called for the 3-year-old colt to retire from racing at the end of the year.

John T.L. Jones Jr. and Red McCombs, co-owners of Walmac International, said they expected to have both European and American interest represented in the syndication. The agreement calls for Roussel an Lamarque to continue to direct Risen Star's racing career, to keep all the money he wins and to retain half the breeding rights in the horse, or 20% the 40 shares in the syndicate.

### **Hungarian Killed in Formula 3 Cras**

NUREMBERG (AP) — Casba Kesiar of Hungary was killed he Friday when he lost control of his Formula 3 Dallara-VW car and crash into a barrier at the Norisring course.

Kesjar, 26, was trying to overtake Stefan Neuberger of West Germa during the final practice run for a Formula 3 race. The Hungarian's c was demolished and he was killed instantly.

#### For the Record

Argentina heat France, 18-5, is a regby test match on Saturday Buenos Aires. All the scoring was by penalty goals. The French won to other test match, 18-15, on June 18.

Azumah Nelson of Ghana stopped Lape Suarez, his American challen er, early in the minth round Saturday to defend his World Boxing Counc super featherweight championship in Atlantic City, New Jersey. (A. Crasader '88 of British, skippened by Eddie Warden Owen, capture Crasader '86 of Britain, skippened by Eddie Warden Owen, capture the first midnight race ever in major yachting competition early Saturda beating Peter Gilmour and his Kookaburra III of Australia by 21 second in the World 12-meter Yachting Championships off Lulea, Swedie Dennis Conner's Nordstjernan placed third, 1:47 back.

Residents of Lausanne, Switzerland, on Sunday voted against biddin to host the 1994 Olympic Winter Games, reducing the number of officit candidates for the 1994 winter games to four: Anchorage, Alask Ostersund, Sweden; Lillehammer, Norway; and Sofia.

(A.



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- 15 To join, to Jeanne 16 Driblet 17 Pride of Kilgore, Tex.

19 Puccini

- heroine 20 Manumit 21 Marble of tennis fame 23 Suffix for south 24 Alternate 26 Indian weight
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29 Shirt insert

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- purple 46 Charge
- 47 Trains 50 Cockney's S1 Saskatchewan
- capital 53 West German river 56 Orchid meal
- S7 Eldritch 62 Unreachable 65 Prod 66 Somersault
- 68 Ginger or root follower 69 Kind of card 70 Irish Gaelic
- <u>DOWN</u> 1 Part of H.M.C.S. 2 Persian name 3 Director Clair
- 4 Northumbrian 5 Clubman's costs 6 Among schools 7 Pose

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- 28 Where shots are heard 30 Opposite of
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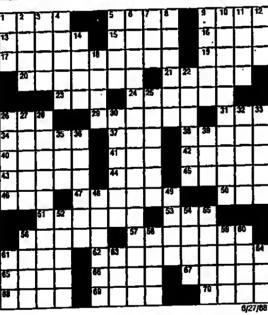
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Solution to Friday's Puzzle





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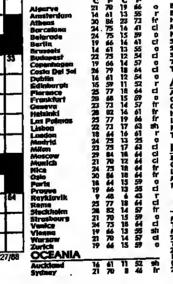
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TELL ME, DOCTOR ...YOU SEEM MORE NERVOUS TODAY THAN USUAL..



IS THERE A REASON

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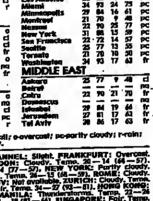


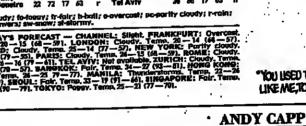
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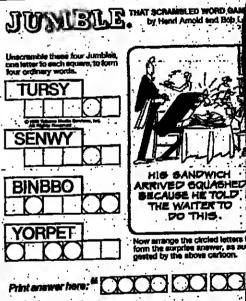


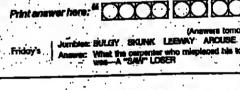


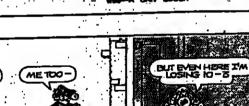










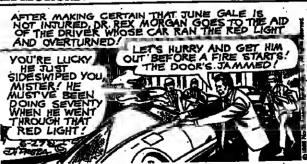








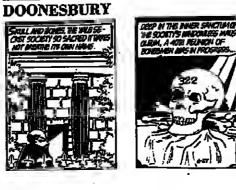
REX MORGAN





GARFIELD NO MOVING PARTS ONE THING YOU CAN SAY ABOUT OPIE ...









HORE WALFER

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Schmidt (7), Niedentuer 191 and Clemens. Gardner (3) and Ged-Boutlato. 3-4. L.—Chemens. 10-5. Battime

Portugal (5), Atherton (8) and Chicago (7), Portugal (5), Atherton (8) and Chicago (7), Cadarat (6), tonercast (9), Plush (9) and Hostor, S-2, L.—Nelson, S-3, NRs—Joetil 2 (15), Gagne (9), Bush (7).

Peer (11), Schroeder 12).

TORAL LEAGUE

Jowell (7) and Carter; Schiroldi., ancester 161, DiPino (7), Nipper J and J.Davis, Berryhill (7), W—3chiroldi.4-5.5v—McDowell (7).

SEBALL.

th began to produce flashes of the quality a that is their hallmark and the result was

it's goal.

As the Soviets' defensive wall lined up, Ana-Demianenko became the first of five players to ve a yellow card when he came too close to the

🚅 's and Saturday's Major League Line Scores

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SATURDAY'S RESULTS

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AMERICAN LEAGUE

toriane; Langston, Schooler (9), Scurry (9) and Bradley. W—Saberhagen, 194. L—Long-ston, 5-9, HRs—Secttle, Brantley (12), Phelips (12).

NATIONAL LEAGUE 180 881 888—2 70 8 818 881 831=5 8 2

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om the free kick, Gullit produced a neat lob



#### Hungarian Killed in hay of the Dutch in Euro 88 . . . . . . ccer Trophy Comes to Amsterdam for First Time

MSTERDAM — The soccer aristocrats of the serlands finally won their first major soccer nament, and up to a million people took to the ts of Amsterdam on Sunday to welcome the

ie Netherlands gained its trophy in the 1988 pean Championship with a 2-0 defeat of the The state of the s and Gullit's first goal of the tournament and ... 20 van Basten's stunning fifth of the champi-

ip gave the Dutch a claim to a growing belief the factor of the World Cup, the them and its manager, Rinus Michels, were rided for their enterprising soccer throughout imagent that had set a high standard in skill mament that had set a high standard in skill sportsmanship.

r Michels, the long wait since that first World defeat 14 years ago ended when Gullit, the captain, lifted the gleaming silver trophy e his head, Seconds earlier, Gullit and Adrie Tiggelen had lifted Michels, 60, upon their J J ) Let lders in recognition of his part in the triumph, the first half-hour the pressure was definitely

ac Dutch, Michels said. The Soviets played better," he said, "but we able to head into the halftime a goal abead.
idn't repeat the mistakes we made in the first

e Soviet Union beat the Dutch, 1-0, in their ing round-robin game two weeks ago. was Gullit, Europe's player of the year, who

he Dutch ahead to stay in the 32d minute of ter half an hour of frustrating mediocrity, the

came after he was fouled near the edge of the

that had Rinat Dasaev arching his back to fingertip the ball over the bar.

Gullit's goal arrived seconds later. A corner by Erwin Koeman was helped on by van Basten and Gullit nodded it home from close range.

Van Basten's 53d-minute goal was one of the most spectacular of the 15-match tournament. After a break by van Tiggelen, Arnold Muhren sent over a looping left-wing center and found van Basten huking wide on the right.

Instead of opting to play the ball back into the center, van Basten launched a fierce volley from the narrowest of angles to send the ball whistling past Dasaev, the Soviet goalkeeper and captain.

Van Basten's stunning goal followed his three in the Netherlands' elimination of England and the last-minute clincher in the semifinal against West He was voted the outstanding player of the

tournament in a poll by soccer writers, receiving 1,250 votes, Gullit placed second with 578 votes, and sweeper Frank Rijkaard was third with 498

Van Basten and Gullit play in the Italian League for AC Milan, where they will be joined by Rijkaard next season.

In Amsterdam, revelers climbed aboard houseboats, makeshift rafts and anything else that would float as the players made a triumphal boat tour through canals of the city. Dozens of frenzied fans jumped into canals, and

at least 40 fainted as they were waiting for the team

to arrive for an official ceremony in the city's largest square. One supporter climbed the 20-meter (65-foot) Mint Tower, a bistoric building in central Amsterdam, and was treated for a gash in his wrist. But there were no major injuries and only three fans were arrested, for vandalism, according to an Am-

sterdam police spokesman, Klaas Wilting. The unprecedented celebrations began with the team's arrival at Welschap Airport near Eindho-

Orasca (9) and Sciencia; Riio, Birtsos (2), Gray (5), Munshy (6), Williams (6), Franca (9) and McClenden, W—Holton, 3-1, L.—Rija, 8

**Major League Standings** 

TENNIS

Wimbledon

vic (14), Yuposlavia, del. Eric Jelen, West Germany, 3-4-5, 7-4 (7-4), 6-3; Stelon Echery (3), Sweden, del. Ken Flock, U.S., 6-2, 7-5, 2-4, 7-5; Jimmy Connors (5), U.S., del. Derrick Ros-togno, U.S., 7-5, 4-6, 4-6, 4-2, 7-5.

Katerina Maleeva (14); Bulgaria, def. Be-linda Cordwell, New Zaaland, 64, 64); Larisa Savchenka (13), Soviet Union, def. Julie Salm-on, Britain, 6-1, 6-2; Katrina Adams, U.S., def.

Sylvia Hanika (15), West Germany, 4-3, 6-3;

Chris Everi (4), U.S., det. Akika Killmute, Josen, 6-4, 6-8. Gebrieta Sobotini 15), Argentino, def. Coth-erine Tamujer, Franca, 6-2, 6-3; Martino Novro-Hiovo (2), U.S., def. Koren Schimper, South Africa, 6-9, 6-4; Ros Feirbork, U.S., def. Lofi McNell (10), U.S., 7-6 (7-3), 6-4; Porn Shriver

nia Rohe, U.S., 7-4 (7-5), 7-6

Chris Everi (4), U.S., det. Akika Kilik

12), U.S., de L.Sn

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35 37 £86

### Pirates Nip Expos in 10th Inning for Series Sweep

MONTREAL — Sid Bream's

Bine Jays 4, Tigers 1: In Torontor, five and Mike I availing to, Mike Flanagan carned the sacrifice fly and Mike Lavalliere's

150th victory of his career and Jestwo-run double fueled a three-run

se Barfield hit a solo homer to snap burgh Pirates to defeat the Montreal Expos, 3-0, here on Sunday and complete a four-game sweep.

Jose Lind opened the 10th against Tim Burke, a reliever, when he went all the way to second on a throwing error by Luis Rivera, the Montreal shortstop.

Lind moved to third as Andy Van Slyke bounced out to another reliever, Joe Hesketh, and Bobby Bonilla was intentionally walked. Jeff Parrett was summoned to

loading the bases. Bream then drove in the go-ahead run with a fly ball to the center-field wall. Lavalliere provided insurance runs with his two-run

face Mike Diaz, who also walked,

double. It was the first sweep of a four-third as the Yankees nipped Clevegame series by the Pirates since land.

Dodgers 9, Reds 6: In Cincinnati, John Shelby singled home the tying run in the minth imming and Steve Sax followed with a two-out,

The victory moved New York to within a game of the first-place Detroit Tigers in the East Division.

Nelson Santovenia, the Expos' catcher, and the Pirates' Barry Bonds try to round up a misplaced ball. bases-loaded double off John Franco, as Los Angeles swept a three-game series with the Reds.

The Dodgers, who lead the West Division, won for the eighth time in nine games. Cincinnati has lost six Doyle Alexander, a former Toronof its last seven.

Astros 6, Giants 0: In Houston, Bill Doran drove in three runs and left-hander Jim Deshaies snapped a personal three-game losing streak as the Astros shut ont San Francis-

Deshaies went 63 innings, giving up five hits while walking four and every hitter in the league," said striking out three. His last victory was May 30 against St. Louis.

Padres 2. Braves 1: In Atlanta, make a mistake. Dickie Thon drove in one run and scored another, and right-hander games during a 26-game stretch Andy Hawkins allowed five hits over 71/2 innings, leading San Diego popents to take over first place. over the Braves.

Hawkins yielded only Ron third inning as he helped the Padres snap a three-game losing streak. Atlanta's three-game winning streak, its longest of the season,

Cubs 6, Mets 3: In Chicago, Jeff runs in a sixth inning capped by Cubs took three of four in the se-

the Cubs rallied in the sixth.

Red Sox 10, Orioles 1: In the American League, in Boston, Mike Greenwell extended his hitting homer and Jim Rice followed with inning as the Red Sox defeated

It was the fifth time in the last seven games that the Red Sox have scored 10 or more runs.

winning a match.

#### TRANSITION

CLEVELAND-Relea

plicher.
All NNESOTA—Placed Tommy Herr, sec-not beseman, on the 15-day disabled list.
Called up Jim Winn, offcher, and Kelvin Torve, first baseman, from Portland of the Pacific Coast League, Sent Karl Best, offcher.

Association.

NEW YORK—Placed Keith Hernandez. first baseman, on the 15-day disobled itsi, Re-called Keith Miller, infleider, from Tidewater of the International League. PHILADELPHIA—Named Ray Rippel-

mever raving pitching cooch for the club's four Class A minor-league chuts. Signed Toni Shade, pitcher, and assigned him to Batavia of the New York-Penn League, Called up Ker pitcher, from Maine of the International se. Optioned Keith Miller, outfielder, to

ST. LOUIS-Activated Terry Pendictor

HOCKEY

COLLEGE

CINCINNATI—Amounced that Yough Hooker, Inabooker, and Holis Smith, defe sive end, will not return to the football four GENEYA—Promoted Mark Mangino, to Autostav Mecri (Y), Czecnscoverko, csp. Ri-corrio Acuno, Chile, 45, 44, 6-2; Patrick Kuh-nen, West Germany, deł. Jim Grobb, U.S., 6-1, 6-4, 6-4; Simon Youl, Australia, del. Petr Korsio, Czechoelevakio, 4-7-6 (7-5), 6-0; Maris Wilonder (2), Sweden, del. Menno Oestine, Netherlands, 6-1, 6-4, 6-4. nsive line couch, to offensive coordi-Notherlands, 6-1, 6-4, 6-4.
Wally Masur, Australia, def. Robert Segusa.
U.S., 6-4, 6-4, 6-7 (5-7), 6-1; Slobodan Zivoline. LOS ANGELES STATE—Announced that

Dennis J. Kelim, othletic director, resisned to take the same position at Northeastern I dinois. NCAA-Placed Paine Callege's athle o shortage of athletes.
TEMPLE—Extended the contract of John

EUROPEAN CHAMPIONS Methericods 2. Soviet Union & - Ernace 2, Spain 8 Dachoslovekia wan en penalty kicks 1972-West Germony 3, Soviet Union 8 1968-Holy 2, Yupostovia 8 (rematch; first

SOCCER

naly same 1-1 (ie) 1344—\* eoln 2 Soviet Union 1

eight innings and Gary Pettis hit a three-run homer to lead the Detroit Tigers to a 7-2 victory over the Blue Jays in Toronto on Saturday. Doyle knows the weaknesses of

Emie Whitt, the Toronto catcher. "He's able to execute to their weaknesses and very seldom does he The Tigers have won 15 of 22

Toronto slipped back another step, nine games behind the Tigers. Gant's leadoff home run in the in 10 decisions, gave up six hits, four walks and five runs in threeplus innings.

SUNDAY BASEBALL

Jeff Robinson's seven-game winning streak as the Blue Jays beat

Flanagan allowed eight hits, struck out five and walked none

before giving way to Tom Henke

Robinson had not lost since

April 21 and had given up only two

runs in 33 innings coming into the

Yankees 4, Indians 3: In New York, Clandell Washington's fourth hit of the game, a two-out single in the ninth, scored pinch-

runner Rickey Henderson from

The victory moved New York to

TORONTO - It figured that

to Blue Jay, would have something

to do with the end of Dave Stieb's

nine-game winning streak.

Alexander scattered eight hits in

with none out and ru ond and third in the ninth.

Red Sex 10, Orioles 3: In Boston. Jim Rice broke a tie with a two-run single during a seven-run eighth as the Red Sox downed Bal-Pico, a rookie, pitched a six-hitter, timore, spoiling Cal Ripken's and the Cubs broke loose for six 1000th consecutive start. 1,000th consecutive start.

Shawon Dunston's two-run single May 30, 1982, became only the defeated Milwaukee.

sixth player in major-league history to play in 1,000 consecutive games.

Witt allowed two runs on three bits in the first inning and then game, a tie-breaking single in China care. West Vork.

California, Jose Canseco hit his major league-leading 19th homer, a three-run shot in the third inning. and had four RBI to lift the A's

#### SATURDAY BASEBALL

st Minnesota. Oakland trailed 2-1 before Canseco's home run. Yankees 4, Indians 1: In New York, Jack Clark hit a tie-breaking, two-run homer in the third inning, helping Tommy John get his 282d career victory, as the Yankees defeated Cleveland and handed Greg

Swindell his fifth consecutive loss. against American League East op-New York's Don Mattingly singled with two out in the third, extending his hitting streak to 17 games, and Clark followed with his 14th home run for a 3-1 lead.

> White Sox 10. Rangers 5: In Arlington, Texas, Dave Gallagher hit two home runs and Greg Walker and Ron Karkovice also homered as Chicago beat Texas.

Angels 7, Brewers 3: In Anaheim, California, Mike Witt overcame a shaky start to win his fourth Ripken, who began his streak consecutive decision as the Angels

**MONDAY SPORTS** 

Royals 7, Mariners 3: In Scattle, the Royals took advantage of three Seattle errors in the ninth, scoring five runs on one hit, and Bret Saberhagen pitched a five-hitter through eight innings en route to a

victory over the Mariners. With the score tied at 2-2. Danny Tartabull walked to lead off the ninth and Mark Langston, the Seattle pitcher, fielded Kevin Seitzer's bunt and threw wildly. Frank White followed with a bunt that first baseman Steve Balboni misplayed and then threw poorly for a double-error, allowing Tarta-

Mike Macfarlane walked and Seitzer scored on a sacrifice fly hy Bill Buckner, a pinch-hitter. After a walk to Jim Eisenreich, Kurt Stillwell hit his second two-run double of the game, Eisenreich scored the final run on a balk by Rod Scurry.

Dodgers 6, Reds 4: In the National League, in Cincinnati, Los Angeles rallied from a four-run deficit in the first, scoring five runs on six hits in the second inning, to down the Reds.

Alexander and Tigers End Stieb's 9-Game Streak

ried the Cubs past New York. Pirates 5, Expos I: In Montreal, John Smiley pitched a five-hitter and Barry Bonds doubled to spark

a four-run third inning as Pitts-burgh defeated the Expos. The Pirates rallied against Brian Holman, a 23-year-old righthander who was making his majorleague pitching debut. He was re-placing Floyd Youmans, who was suspended indefinitely by the major league commissiooer, Peter Ueberroth, earlier Saturday for failing to comply with the league's drug-

testing program. Braves 8, Padres 4: In Atlanta. Dale Murphy hit a two-run single during a four-run lifth and the Braves beat San Diego in a raindelayed game.

Cardinals 4, Phillies I: In St. Louis, Missouri, Jose DeLeon pitched a four-hitter, and Luis Alicea, a rookie, and Willie McGee each got three hits to lead the Cardinals over Philadelphia.

Giants 4, Astros 1: In Houston, Mike Krukow pitched a three-bitter and Jose Unibe doubled, tripled and drove in two runs as San Fran-Cubs 5, Mets 2: In Chicago, cisco defeated Houston.

### New York's Ron Darling ran his Secured Stop for Katrina Adams: Court 2 and Evert

By John Feinstein Washington Post Service

streak to 17 games with a two-run Adams, 19, came to Wimbledon last week she had one simple goal: another two-run shot in the first Win a match. She had been a promonths, having dropped out of Northwestern University to give the tour a shot and still was seeking to win a match in a Grand Slam

Dwight Evans, Ellis Burks, Todd She caught a break in the draw. first meeting Valda Lake, a British wild card, who is ranked No. 232 Benzinger and Rice had two hits apiece in leading Boston's 12-hit

> Quickly, she was down a set and a Evert said. "She can be danger-service break. Her serve-and-volley ous." game seemed to desert her. It

set, she found her touch, Suddenly,

back to win, 2-6, 6-4, 6-4. success. She would play 15th-seed- reason. ed Sylvia Hanika of West Germany in the third round.

call from their daughter Saturday part of it."
afternoon telling them, "Well, I Before C played well, but ...

ika, 6-3, 6-3, taking the net away sets of note on the women's side. from the powerful West German and beating her at her own serve- by Adams, Lori McNeil, the No. 10 and-volley game.

amazed." She started playing tennis in the on the men's side advanced. Mats Chicago Parks League at age 6. At Wilander of Sweden, seeded second, she won a 10-and-under tourna-ond, crushed Menno Oosting of the

fantasize about tennis stardom. "Back then I dreamed that some-Wimbledon," she said. "This

coach, and, like Garrison, plays ag-

things from myself."

giving me simple advice," Adams expect anything, good or bad, and to get past Stephanic Rehe.

just play the tennis as it came. That's what I've tried to do in all LONDON - When Katrina three of my matches and it's vorked so far.'

Monday, fantasy will become Win a match. She had been a pro-fessional tennis player for six after Wimbledon's day of rest on Sunday. Adams's opponent in the round of 16 will be Chris Evert, the player almost every American girl looks up to. Not only that, but the match will be on court No. 2, one of Wimbledon's show courts.

"I played on court l at the French Open, but that just isn't the on the computer, 106 spots below same as being on a show court at Adams. With her parents, school-teachers from Chicago, watching on court No. 4, Adams blew by know how I'll react. 1 hope 1 can Lake, 6-3, 6-2. That took care of just go out and play my game."

Evert has seen enough of Adams Two days later, she found herself that she isn't likely to take her lightup against a much different kind of ly — but then Evert rarely takes opponent, Nathalie Tanziat, who is anyone lightly. "She's got a huge ranked 200 spots higher than Lake." serve and she's very aggressive."

In other third-round matches oo looked as if her Wimbledon would come to an end. Saturday, Jimmy Connors, 35, beat Derrick Rostagno, 7-5, 4-6, 4-6, 6-But in the middle of the second 2, 7-5, in a match that twisted through four hours, two minutes of Tauziat couldn't do a thing. Adams momentum changes, good breaks, controlled every point, using her bad hreaks, escapes and plot power to take command. She came changes. By the time it was over, the crowd on court I was as drained Now, Wimbledon was truly a as the two players and with good

"Jimmy is just incredible," said Rostagno, 22. "You think you have That would, no doubt, be the end him down and he just comes up of the road, but what the heck. with unbelievable tennis. It was the Saturday morning, Adams's par-kind of match where you don't like ents flew home, fully expecting a to lose, but you're glad you were

Before Connors and Rostagno lit up the early evening, it had been It never happened.

Saturday, Adams stramed Hantine, although there were two up-Before Hanika was eliminated

seed, was beaten by Rosalyn Fair-"This is just great," Adams said. bank, 7-6 (7-3), 6-4, a result that "A few days ago I had never won a while surprising was hardly shock-match in a Grand Slam, now I'm in g since Fairbank is a very compethe Wimbledon round of 16. I'm tent player, especially on grass. All five seeds playing Saturday

ment in New Orleans and began to Netherlands, 6-1, 6-4, 6-4; Stefan Edberg (3) of Sweden won a tighter "Back then I dreamed that some than expected match from Ken day I'd be a pro and I'd come to Flach, 6-2, 7-5, 2-6, 7-5; Czechoslovak Miloslav Mecir (9) continued is all part of the dream. Once I get to have an easy time, beating Ricarmy game together I expect great do Acuna of Chile, 6-3, 6-4, 6-2; and Slobodan Zivojinovic (16) of She is a chunky, 5-foot-5, 145- Yugoslavia, who should give Wipound (1.65-meter, 65.8-kilogram) lander his first real challenge on powerhouse. She is coached by Monday, beat the West German Wallace Thomas, Zina Garrison's Eric Jelen, 3-6, 6-3, 7-6 (7-4) 6-3.

In the women's draw, Martina gressively, although she is bigger Navratilova, the second seed, adand stronger than Garrison. They vanced, as did Pam Shriver, (3). have played doubles together since Evert (4), Gabriela Sabatini (5) of ms turned pro at the Austra- Argentina, Natalia Zvereva (8) and han Open and have won two Vir- Larisa Savchenko (13), both of the ginia Slims doubles tournaments. Soviet Union, and Katerina Ma-"Zina has helped me here just by leeva (14) of Bulgaria.

All won in straight sets although said. "She told me to go out and not Shriver had to win two tie breakers



Katriua Adams smashes a return in her match with Sylvia Hanika.

From the world's most accurate timekeeper

### **Congratulations to Fastest Goal Award Winner** S. Aleinikov (USSR) 2 min. 06 sec.

Initiated at the 1978 World Cup in Argentina by Seiko, official timekeeper of the world's major sports events, the Fastest Goal Award is presented as a tribute to the player who scores a goal in the shortest time after kickoff.



## Restoring a Ruin Gone to Rack

MARY BLUME

International Herald Tribune ARIS—Ruins take as much upkeep as any building, and for many years the saddest example of a ruined ruin has been the Désert de Retz, a folly on the outskirts of Paris that was built from 1774 to 1792.

By 1919 chickens and bees were being raised among the 17 functiful structures, or fabriques, crected ou 38 hectares (94 acres) of parkland by François Nicholas Henri de Mouville, a rich dilettante. By 1939 André Malraux lamented the state that the Desert had fallen into, and the same year it was classified a monument historique, a designation that Marshal Petain renewed in 1941.

Colette, after passing the no entry sign and forging through heavy underbrush in the 1940s, wondered if this last monument to a certain pictorial and architectural fancy could be saved, and she noted, "Certainly, the rare spirit expressed by such audacious architecture and the magnificent arrangement of specimen trees in the park are entitled to endure." Cyril Connolly, who visited the Desert in 1945 and "fell hopelessly in love with it," referred to its terrible state and to graffiti and to vandalism.

In 1966, the tenacious Malraux, presenting the so-called Loi Malranx, which deads historical and artistic property against its owner's negligence, eloquently spoke again of the lamentable condition of the Desert de Retz.

The owners, who reputedly stabled their horses in Mouville's exquisite ruins, sold. A bank bought the Desert and a hunk of the beautiful rolling countryside surrounding it in 1980 but was unable to get permission to develop the land. The offer of Olivier Choppin de Janvry, an architect who had written his thesis on the Desert, to buy it for a small sum in order to restore it was accepted, and

the job is finally under way.

The clearing of the land so that sunlight can pass through the branches of the tall trees, some dating to Monville's time, was done last winter. By February it is hoped that the most famous of the remaining buildings, the "Broken Column," will be restored. The cost of the job is estimated at 20 to 30 million francs (up to \$5 million), of

which the owner must raise half, The Desert - the word has Molière's meaning of a refuge - was not a unique example of the mock-classic, mock-Chinese private parks that were being built at the time from Leningrad to Rome, What is unique is the poetic atmosphere that fasci-

today. "A little longer, and the Desert de Retz will be no more than a poem in the style of an epoch. And yet, may it not be a fine thing to preserve even a poem from an epoch?" wrote Colette.

Monville was tall and handsome, with a large fortune and the best-turned leg at court. He was a friend, and possibly a lover. of Madame Du Barry, and the Desert was visited by Marie-Antoinette, the King of Sweden, and by Thomas Jefferson, who copied plans of some of the structures, but Monville was decidedly a minor figure; an exquisite man of taste who survived the Revolution to die in bed in 1797.

He is known to have worked with the visionary architect Ledoux and with Boulée, but it is possible that the fanciful buildings at the Desert were of his own design. The first was a three-story Chinese pagoda, in which he lived, which was followed by per-fectly placed examples of other civilizations such as an Egyptian pyramid that served as an icehouse, a Temple of Pan, a Tatar's tent and of course a theater. Blue-painted pieces of the pagoda could still be seen by trespassers in the mid-70s. Now not a trace remains.

'The most spectacular building, which happily still stands, was the Broken Column, a Doric column about 15 meters in diameter and built to look as if its top had broken off. It was four stories high, with a spiral staircase and oval rooms with mirrored walls reflecting the trees outside.

Monville, a gifted botanist (he was also a fine harpist and one of the best archers in France) moved into the column and covered it with flowers and plants and, to bring the outdoors inside, had greenery trail over the staircase. The curved wood of the furniture was painted gray, the fireplaces were white marble, the curtains and coverings toile de Jouy. There was Sevres porcelain, and paintings by Hubert Robert and Van Loo.

The column, now being restored, will be-come a concierge's loge. The property will eventually be open to the public and right now, until the end of July, amiable volunteer guides conduct tours Saturdays and Sun-days at 3 P.M. (The nearest village is Cham-bourcy, on the road between Saint-Germain-en-Laye and Mantes. Visitors wishing details on how to find the Desert should telephone 30.74.27.75). In addition, the Musee Promenade of Marly-le-Roi, which is open afternoons from Wednesday through Sunday, has a special exhibition on the Désert de Retz through July 3. In 1790 Manville offered to sell the De-



sert to Beaumarchais, who found the price serves the same right to endure given to any too high. Someone else bought and there began the long list of owners — including an Englishman cailed Disney Ffytche or Ffyche Disney — and the long story of the Disner's decline.

Today it looks as if the Desert has been ved - too late but saved. There is even talk that China might give a pagoda to replace Monville's chinoiseric, as if that were possible. Desirable as it is to see the benefit. As Colette wrote more than 40 years able to see the glamorously renewed Broken ago, after having said that the Desert de-

village square or urban monument: "But having made the acquaintance of Le Désert on a stormy June day, I shudder to think of it altered, deprived of its excrescences, af-fronted by the glamour of its own renewal."

There will be no housing developments on the surrounding countryside which is unchanged from Monville's day and which in its nustic simplicity contrasts so well with the Désert's extreme sophistication. Instead land cleared, the restoration of the Broken it will be used in the new French way of Column, especially after one sees the architurning a profit on property that cannot be tects' models of proposed restorations at the used for building. It will become a golf Musée Promenade show, is less obviously a course and no doubt in time visitors will be

#### LANGUAGE

### Smiles of a Moscow Night

By William Safire

WASHINGTON—"You said you were for peaceful coexistence." Mikhail Gorbachev was reported by Time magazine to have told Ronald Reagin.
"Then why not put [those words] in the
communique?"

I don't know if that's exactly what he said. Newsweek quoted the Said exactly what he said. Newsweek quoted the Said directly as saying. "You
told me last Sanday you were for peace. Then why are
you against using this language in the final statement?" Both news magazines were relying on reports
of a translation, and perhaps relied on different interpreters or different secondhand accounts. But the gist
was the same, and both referred to a document, which
the Soviet leader pushed across the table to the US,
president, that used the phrase peaceful coexistence.

"Well," said Reagan (there is a strong likelihood
that he used that word, which he uses to start many
sentences), "we don't think this language is right."

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was me same, and noth referred to a document, which the Soviet leader pushed across the table to the U.S. president, that used the phrase peaceful coexistence. "Well," said Reagan (there is a strong likelihood that he used that word, which he uses to start many sentences), "we don't think this language is right."

After a five-minute recess in which the Americans. conferred about the phrase suggested by Gorbaches, the president returned to the table to say. "I'm sorry.

This language is not acceptable." That, presumably, is exactly what he said; both accounts have it that way. "This is the detente language of the "70s," Secretary of State Shultz said, according to Newsweek, in the five minute caucus, explaining his opposition to the words. "This is the Kissinger talk that didn't get in a

anything. We're beyond detente now."

Kissinger talk? No. Lenin talk, perhaps. In 1920, the founding father of the Soviet Union spoke glowingly of what was translated as "peaceful cohabitation with the peoples, with the workers and peasants of all nations"; two years later, at the Ninth All-Russian Congress of Soviets, that phrase was translated as peaceful coexistence, roughly synonymous but a tad less intimate — suggesting living alongside but not

necessarily together.

Nikita Khrushchev picked up the phrase in the 1950s and made it his own, calling it in 1961 "a form of intense economic, political and ideological struggle of the proletariat against the aggressive forces of impedalism in the international arena." After the "kitchen. debate" with then-Vice President Nixon in 1959, the Soviet leader had written: "The states which decide to adopt the path of peaceful coexistence repudiate the use of force in any form. . . " He accused Nixon of attempting "to find a contradiction between the Soviet people's professions of their readiness to coexist peacefully with the capitalist states and the slogans posted in the shops of our factories calling for higher labor productivity in order to ensure the speediest victory of Communism."

Trusting Americans soon interpreted the phrase as meaning, "Live and let live"; Adlai Stevenson called peaceful coexistence an alternative to "coextinction." When the party line turned to sweetness and light in the detente of 1972, those of us who went with Nixon and Kissinger to Moscow were alert to the history of the phrase. If I recall correctly, we went wacky over desente, a French diplomatic term for "relaxation of tensions," one long step short of entente, "agreement," but generally steered clear of what the Russians were calling peaceful coexistence. (We fell for plenty that year, but we were linguistically skeptical.)

In the mid-1970s, as the Soviets moved to take

advantage of a Watergate-weakened United States, the Nixon démarche, or beginning step (not to be

language, but not the policy, of the Nixon era.

At least, so goes my linguistic strategic thesis. It is reinforced by the refusal of the Reagan advisers in Moscow to go along with a pledge not to "interfere in the internal affairs of others," which Americans usedy to think meant invading or subverting foreign govern ments, but which the Soviets read as meddling in the field-of human rights. Most significant, the Reagan summitteers exchem

any general statement of principles, issued in lieu of a specific agreement, that could be called a framework The phrase conceptual framework was pure Kissinger, and statements of principles in the past that could be interpreted in several ways were the source of much right-wing criticism when Reagan was Reagan (in the current right-wing vernacular). And George Shultz, who which stopped the president from using a Lemmanuse, most especially did not want anybody to use a Kissinger word. Kissinger word

A TORRENT of classy, high-domed mail has come in from scientific types with contributions to the origin of the test pilot's favorite phrase, pushing the envelope, which was traced here to the skin of early lighter-than-

"Usage of the term envelope in science and engineer ing goes back at least to the mid-19th century," advises Alexander H. Flax, home secretary of the National Academy of Engineering. (A home secretary handles membership issues within the academy.) "In mathematics the envelope is the outer boundary of a relate

family of curves (see Attachment A).

Let's see Attachment A, a page from Goursat & Hedrick's "A Course in Mathematical Analysis," Vol. I (published in 1904), p. 426: "If each of the positions of the curve C is tangent to a fixed curve E, the curve E is called the envelope of the curves C, and the curves C are said to be enveloped by E."

Number-crunchers in the aeronautical field applied this aread to the limits of aeronautical field applied.

this word to the limits of aircraft operations, as in Attachment B, a velocity-load factor diagram referred to in a 1967 Federal Air Regulations publication. There, in a discussion of flight loads, we can find flight envelopes, gust envelopes and moneuver envelopes.

Thems that exceed, push. Thank you, scientists and mathematicians, especially those few of you who refrained from pouting about the theft of your precion parameters and quantum jumps by the lay public.

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